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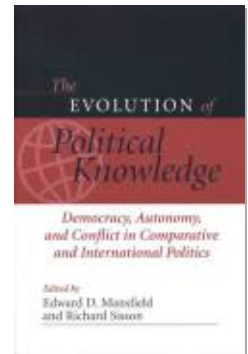
Published by

Mansfield, Edward D. and Richard Sisson.

The Evolution of Political Knowledge: Democracy, Autonomy, and Conflict in Comparative and International Politics.

The Ohio State University Press, 2004.

Project MUSE. muse.jhu.edu/book/28454.



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COMMENTARY

Globalization and State Power in World Politics

PETER J. KATZENSTEIN

We all come to the scholarship of close colleagues with some expectations. Knowing about the match between this author and his topic, I had a good sense of what to expect from Stephen Krasner's essay "Globalization, Power, and Authority." Krasner is one of the discipline's leading realists. It is therefore hardly surprising to find that view reflected in this essay. Like the Orthodox rabbi who objects to work on the Sabbath, Krasner does not view globalization as a basic causal force in world politics. Instead, globalization is epiphenomenal. Whatever power we ascribe to globalization processes is really nothing more but the refracted power of states and the international state system. The all-pervasive appearance of globalization tricks us by concealing state power as the basic force in world politics.

Krasner offers a tightly reasoned and well-developed argument with impeccable realist credentials. Globalization exists by virtue of the logic of the international state system and works its magic through the actions of states. What is true in general, is true also in particular. As the most powerful of all states in contemporary world politics, the United States is a prime mover pushing globalization.

This argument resonates deeply with the position first articulated by Kenneth Waltz and Robert Gilpin during the heyday of what a generation ago was called the era of international interdependence (Waltz 1970; Gilpin 1971). During the last thirty years their writings have had such a profound influence on international relations scholarship, that Waltz's and Gilpin's dissent from the liberal mainstream in the early 1970s was probably more contrarian than is Krasner's powerful rearticulation of the same position today.

Yesterday's "international interdependence" is today's "globalization" and "internationalization" (Jones 1995, 3). Some of the writings of the late 1960s could have been published today. Charles Kindleberger (1969, 207–8, 182), for example, argued that "the international corporation has no country to which it owes more loyalty than any other, nor any country where it feels completely at home. . . . The nation-state is just about through as an economic unit. . . . The world is too small. It is too easy to get about." George Ball's (1968) description of a world of footloose cosmopolitan corporations anticipated today's discussion by three decades. And Roy Harrod's (1969, 321) characterization of the Eurodollar market in the late 1960s as existing without "headquarters or buildings of its

own . . . a network of telephones and telex machines around the world”—with due allowance for some technological innovations—describes global financial markets at the beginning of a new millennium.

Then as now, analytical concepts are deeply contested both analytically and normatively. In the 1970s, careful analyses of increasing levels of international interdependence, both understood as growing sensitivities and vulnerabilities of societies and states, pointed to their wide-ranging, powerful effects on world politics (Alker, Bloomfield, and Choucri 1974; Solomon and Gault 1977; National Commission on Coping with Interdependence n.d.). Liberals saw an era in which traditional centers of authority were challenged by new, nonstate actors. Marxists pointed to the inherent instabilities that growing international interdependence was creating for capitalism both at home and abroad. And realists and students of domestic politics argued that even a sharp increase in levels of interdependence would not be strong enough to transform world politics. Today's disagreements are equally strong. They focus, for example, on the benefits of increasing efficiency and the costs of increasing inequality that come in the wake of globalization. Similarly the spread of a global popular culture has energized in many quarters political countermovements that insist on the political primacy and moral superiority of nation-states or religious communities. Disagreement centers also on the outmoded organization of the international state system with its inadequate response to growing challenges such as global warming and genocide. States are criticized for being too small for many of the big problems, and too big for many of the small ones. In domestic politics what is increasingly needed is not heavy-handed state intervention but the light-footed tap dance of public-private partnerships.

Because it is part of an ongoing political and theoretical debate, Krasner's paper thus merits careful attention. Furthermore, realists have had a good track record on questions of international political economy. In the early 1970s, those arguing for the primacy of state power over liberal market forces were proven right. The oil shock of 1973 and the period of stagflation that followed made realism the most compelling framework for an analysis of the evolving international political economy. With the bursting of the U.S. high-tech bubble, the appearance of widespread crony capitalism on Wall Street, and a sharp tilt to unilateralism in U.S. foreign policy under the Bush administration at the outset of a new millennium, realists are again well positioned to explain important developments in the global international economy.

In this comment I wish to question the logic by which this paper characterizes its intellectual opponents and suggest that this logic can be turned against the paper's core argument. The paper is rhetorically effective. It targets two groups: "hyperglobalists" and "transformationists." Since the term reeks with unflattering connotations, at least among political scientists, who are the "hyperglobalists"?

While Krasner does not tell us, Held and his coauthors (1999, 2–4), on whom Krasner draws explicitly, target primarily William Greider (1997) and Kenichi Ohmae (1995, 1990).

Krasner's characterization of Greider as a hyperglobalist rings true. Ohmae, however, has developed different arguments over time. In the 1980s the author of *Triad Power* (1985) was very close to Krasner's preferred analytical position; in the 1990s the author of *Borderless World* (1990) and *End of the Nation State* (1995) shifted over to Greider's point of view. Beyond the faddishness of the consulting business Ohmae's shift in perspective points to the possibility of the blending of analytical perspectives that are not well captured by the terms "hyperglobalists" and "transformationists." In any case, one and a half author pose a fairly small target for the very big gun that Krasner fires in his essay. I for one would like to know a bit more about other hyperglobalists. Who are they? Are they more like Greider or more like Ohmae?

In sharp contrast to the very small number of hyperglobalists, the number of transformationists is very large. Interdependence theory, transnationalist theory, and regime theory stress the ameliorative aspects of the phenomena they highlight without denying the possibility that, eventually, transformation of existing patterns of state interaction might follow. Governance theory and many variants of globalization theory acknowledge more freely the transformative qualities of new developments in world politics.

There is some disadvantage to cutting the cake the way this essay does. It gives the reader only two pieces, a sliver that leaves her hungry for more, and an oversized piece that threatens her with indigestion. How can the paper's positioning be improved? I suggest here two related pairs of concepts.

First, one group of globalization theorists is deeply influenced by sociological and anthropological perspectives. This group of scholars thinks about globalization in terms of relationships. A second group of globalization theorists conceptualizes the issue in terms of the attributes of actors as is conventional in methodologically individualist versions of statism (and nationalism) common in economics and political science. This basic difference between social theories conceiving of the world in sociological, relational terms and economic, actor-oriented ones suggests one of the essay's limitations. The unacknowledged rationalism that the realist and liberal protagonists in Krasner's essay share is fully consonant with the second group of globalization theorists; it encounters difficulties in accommodating the first.

Second, many globalization theorists focus on complementary rather than zero-sum relations between either global and local or regional and national factors. Theorists focusing on global-local relations theorize not only pressures toward convergence around global standards but also the possibility of local backlash against overwhelming globalization. What is considered "local" in these

formulations is often underspecified as local, subregional, regional, and national forces opposing globalization.

Another group of theorists focuses on the relationship between national and regional developments. Just as the term “local” is underspecified in the first group, so is the term “regional” in the second. This difficulty has two sources. Regions are not only material but also ideational constructs as contemporary theories of geography have developed in considerable detail during the past thirty years (Storper 1997; Lewis and Wigen 1997). This can be a source of problems in referring to regions either at the subnational or the supranational level or as lying at the intersection of both.

In brief, theorists working in either tradition may argue with some justification that Krasner’s distinction between hyperglobalists and transformationists does not do full justice to their preferred analytical stance. This is not to deny that the analytical strategy the essay follows is smart. Many of us do in our lecture courses what this essay does in its survey of the literature. We position our preferred analytical construct, here the state, so that it is antecedent to alternative constructs, here globalization. The strategy is analytically clever and rhetorically effective. In this paper it is deployed to show the superiority of statist arguments over a variety of globalization perspectives.

There is one problem. The procedure can be deployed easily against all arguments, including this essay’s methodological statism. In developing its argument against globalization as a basic causal variable the essay suggests that the most fundamental force for change in world politics is not globalization but regime type, specifically democracy. Furthermore, the essay is compelling in drawing our attention to other factors, such as the inadequate capacities of failing states. One might add to this list also demography as aging populations rather than globalization are the cause of some of the basic challenges that are facing the advanced industrial states. From this vantage point Krasner is not a realist but a theorist of the internal and external determinants of state capacity.

This explains why the essay suggests at one point, and one point only, that state preferences “may, of course, be driven by different societal interests” (Krasner, p. 69 in this volume). Suddenly the possibility suggests itself that states are not autonomous actors as rationalist theories of international relations assume. Instead, states are embedded in overarching structures. Some of these are domestic. Others are transnational. Still others are global or international. In this formulation internal and external spheres of government or state action are no longer analytically distinct. Recursive processes that highlight the importance of relationships, not actor attributes, suddenly become theoretically imaginable. Globalization and transformationist arguments suddenly do not look far-fetched. Instead they are reasonable, adequately theorized approximations of a complicated empirical reality.

Put differently, states-as-actors can be embedded in a more encompassing analytical perspective that theorizes aspects of reality that a methodologically individualist statism (or nationalism) brushes aside or overlooks altogether. Such a shift in perspective returns us to well-established arguments about the relative importance of international, domestic, and transnational factors. How are they arrayed in distinctive causal sequences that produce discernible effects? Turning the essay's logic on itself thus puts into question many of its strong claims. This is helpful. It leads us to what should be our preoccupation—developing theoretically informed, analytically eclectic, empirically supported answers to important questions.

COMMENTARY

Globalization, Democracy, and State Failure: Implications for International Politics

HELEN V. MILNER

Stephen Krasner's "Globalization, Power, and Authority" is a pleasure to read. It articulates a forceful challenge to the recent literature touting the transformative nature of globalization. Krasner, following in the realist tradition, argues that globalization is not undermining the power or sovereignty of states and indeed is having little impact on world politics. Moreover, he claims that capable and sovereign states (with capitalist economic systems) are necessary for globalization; without them, there would be no possibility for a global market to arise. Far from undermining states, globalization requires them to be highly capable. Finally, he asserts that what has been changing in the world is the domestic character of states: more are (more) democratic, and more are weak, failed states. These claims are obviously provocative and deserve much further research. In this brief essay, I ask two questions and raise some concerns about these claims.

Krasner articulates a very strong position about the inability of globalization to affect states, one that is based mostly on empirical claims. Let us begin by assuming that he is correct. My first question then concerns what this should imply about international politics in the future. Krasner discusses what he calls hyperglobalists and transformative globalists, citing roughly three works (Friedman 1999; Held 1999; and Keohane and Nye 2000) as examples. Although the first two of these works are rather vague, most theorists of globalization seem to have in mind three effects: increasing pressures for the convergence of domestic economic policies and institutions (e.g., Keohane and Milner 1996); declining probability of war (e.g., Russett and Oneal 2001); and changing utility of different instruments of statecraft, with military force losing efficacy relative to economic tools, alliances, and international institutions (e.g., Keohane and Nye 2000; Nye 2002). Krasner maintains that the first effect is not occurring, citing mainly Garrett (1998). But this point is highly contested with a good deal of confirmatory evidence supporting globalization theorists' claims: e.g., Kaufman and Segura-Ubiergo (2001), Boix (2000), Rodrik (1997), and Rudra (2002). The latter two claims about the impact of globalization on international politics are not directly discussed by Krasner, but they do suggest that realism would be gravely challenged by a globalized world.

In general if theories of globalization are correct, one would expect a decline in the use of force and hence less interstate war among countries as they become more tightly bound economically. This should feed back into these states' assumptions and perceptions about other states, leading to generally less war and force in the international system. Krasner seems to discount this line of argument entirely. If realism is still the most relevant theory, as he implies, then future world politics should look very much like past world politics, and states' assumptions about the behavior of others should not change. These are testable hypotheses to some extent, and ones that call for more empirical examination in the future. Some of the research by Russett and Oneal (2001) does suggest that globalization via trade is having important effects pacifying international politics, even after one separates out the influence of democracy.

The second question concerns how all of these macrohistorical movements fit together. According to Krasner, there are at least four large trends occurring. That is, democracy is spreading (again?); globalization is increasing once more; the number of weak, failed states is rising; and state strength and sovereignty is probably constant but may even be growing. Since the late 1970s, data strongly suggest that the number of democratic countries and the extent of democracy within states have been growing. Using data from Polity IV (Marshall and Jaggers 2001), the average regime score for over one hundred countries fell from 0 in 1960 to a low of -2.3 in 1977 and then rose to a high of 2.9 in 1999.¹ Similarly, the dichotomous regime classification from Alvarez et. al. (1996) shows that of about 110 countries in 1960 40 percent were democratic; this percent fell to 26 percent in 1977, and then rose to 57 percent in 1999 for about 187 countries. Well over half of the world's countries were democratic by 2000.² Measures of globalization, such as trade dependence and net inflows of DFI as a percentage of GDP, have been increasing steadily during the period from the 1960s (World Bank 2001), although with some downturns in the early 1980s and late 1990s due to widespread economic crises. The possible relationship between globalization and democratization is one that calls for further research (e.g., Milner and Kubota 2001).

Data on the third trend, state failure, is available from the State Failure Task Report (Esty et al. 1999) and from the revised data of King and Zeng (2001). These data show that 127 cases of state failure have occurred between 1955 and 1998, with some twenty-seven cases occurring since 1991 and the end of the Cold War period (King and Zeng 2001). Note that this implies that the rate of state failures has been increasing since 1991. It would seem as if state failure might be related to the notion of state strength as used by Krasner; that is, it would seem to follow that if more states are failing now, then states on average are generally weaker than before. But Krasner wants to argue that state failure is a domestic problem (one related to "domestic sovereignty"), unrelated to state

capacity externally (i.e., not connected to “interdependence sovereignty”). His claim is that a state facing internal collapse cannot participate in globalized markets, and hence retains its external sovereignty. Unfortunately, it is not clear what Krasner means by interdependence sovereignty, nor how one could measure it. Feng, Kugler, and Zak (2000) have data on a state’s relative political capacity, which measures its ability to extract taxes and assumes that this correlates with state strength. This data shows that after peaking in the late 1970s the average political capacity of about one hundred nations in the developing world has decreased well into the mid-1990s, suggesting that many states are becoming less capable over time, as Krasner implies. Generally, however, it seems difficult to argue that states which have collapsed internally or are losing their domestic political capacity to rule are going to possess much external autonomy or capacity, perhaps maintaining their *de jure* sovereignty but probably not *de facto* sovereignty.

What is interesting to ask is whether these trends have any relationship to one another. Krasner asserts that the spread of democracy and the continued strength of the state have produced globalization. Some data exists that suggest that democracy and democratization may indeed foster globalization; for example, Mansfield, Milner, and Rosendorff (2000), Russett and Oneal (2001), and Milner and Kubota (2001) respectively show that democracies trade more with each other and are more likely to lower their trade barriers. It is also the case that one of the best predictors of whether a state will fail or not is its level of trade dependence. States that are more integrated into the world economy are less likely to fail (Esty et al. 1999). This provides both support and dissent for Krasner’s claims. It does seem that strong states are more trade dependent, but it is globalization that may be producing state strength not vice versa, as he maintains. The relationship between democratization and state failure is also important in light of Krasner’s argument. The State Failure task force (Esty et al. 1999) points out that another one of the best predictors of state decay is the transition from autocracy to partial democracy; a democratization process that fails to result in stable democracy greatly increases the chances of state collapse. Finally, it is interesting to note that if the second trend he points out is occurring (i.e., increasing state failure), then one would think that globalization would be declining, not rising, if it requires strong, capable states. Whether the trends that Krasner claims are occurring are interrelated in some logical way is an issue that requires more attention. At first glance, they seem both supportive of one another (e.g., democratization and globalization) and contradictory (e.g., increasing failed states and globalization).

A final concern I have about his argument arises from his claim that since capitalism (global or domestic, it would seem) needs states to provide the legal and institutional infrastructure for its operation, the state remains ultimately the

most powerful actor in this relationship. But imagine the analogy to humans and the earthly environment within which they live. The earth certainly provides the “infrastructure” necessary for human life, but this does not necessarily mean that humans are unable to affect the planet greatly or are not the most powerful actors in existence. Indeed, many might argue that humans (or in our analogy, global capitalists) are the most powerful actors on the planet, possessing the greatest capacity of any agent to affect the environment (read: states) even though they depend on it for their lives. These relations are cases of mutual dependence, and the particular power relations among states and the agents of global capitalism will vary given the degree of asymmetry in specific aspects of their relations. Given the factors that are associated with state collapse, such as lack of economic development and of economic openness, it seems likely that this relationship between states and capitalism is very complex.

In sum, Krasner provides a clear and provocative argument about the limited impact of globalization on states and world politics. His claims produce testable hypotheses that will form the basis for progressive debates in the field. His realist vision is, however, tempered by the two trends that he sees occurring: the spread of democracy and the increasing number of failed states. Whether these trends portend major changes in world politics he is more circumspect about. If and when these changes to the domestic structure of states reach high levels, it may be that world politics will shift significantly as globalization rises and non-state actors (NGOs, etc.) became ever more capable. In ways, Krasner’s vision is comforting since it assumes that world politics will not change much and hence there will not be a disruptive transformation in either the theory or practice of international politics. But since the realist view of the world is inherently pessimistic with respect to war and state behavior, his approach reinforces that pessimism for the future. In all, Krasner’s essay argues with great courage and conviction against the conventional wisdom of the day.

Notes

1. The measure of regime type uses the index constructed by Gurr, Jagers, and Moore (1989) and Gurr and Jagers (1995), which uses a 21-point scale ranging from -10 for a highly autocratic state to 10 for a highly democratic country. This samples one hundred countries in 1960, rising to 146 in 1999.

2. Alvarez et al. (1996) and Przeworski et al. (2000) developed a dichotomous measure that codes a regime as democratic if and only if high political offices are chosen through contested elections with universal suffrage.

COMMENTARY

A Response to Krasner on Globalization

SASKIA SASSEN

The framing of an argument matters, and so does the extent to which we make explicit the difference between a fact and an interpretation of the fact that supports our argument. While I agree with key aspects of Krasner's analysis about the ongoing centrality of the state, I find problematic the framing of his argument and his positioning of interpretations of various past and current conditions as if they were facts that serve to prove his argument.¹ Krasner's starting point is that national state institutions remain in charge of much of what they used to be in charge of and that they have long interacted with external forms of authority. I agree with this. What is troubling is Krasner's leap from this set of conditions to the assertion that hence today's globalization has not really changed matters much. Krasner uses his enormous knowledge of the history of the modern state to justify this assertion. But he does so through a series of interpretations of facts—going well beyond the inevitable process of representation of facts—that allow him to extract from those facts what suits his argument. Thereby he closes off even the possibility that we might need further interpretation and, more importantly, further research about the specifics of state sovereignty today.

I argue that we need more research and that much of the work of interpreting lies ahead. It is too early to close the door on both research and interpretation. We need to allow for the possibility that the transformations associated with globalization today may have produced significant changes in the work of states, in the nature of sovereignty, and in the weight of both supranational and private authority, *even as* the state continues to be a key actor. The emergent, often highly specialized and always partial apparatus of the global economy as well as that for global governance deserves our careful study and interpretation rather than a dismissal predicated on the fact that the state continues to do what it has long done and that it has long interacted with external forms of authority. The level of institutionalization of both of these apparatuses and the extent to which state work has been reoriented towards implementing global systems, particularly economic ones, signal a transformation and call for research.

Here I will develop what might be described as a transformationist response, following Krasner's use of the classification developed by Held et al. (1999).² Krasner first reviews some of the main arguments in the globalization literature and finds that hyperglobalists are wrong and transformationists are misleading.

He then proceeds to develop his argument through multiple major themes organized along his four types of sovereignty. But a close reading of the paper makes it clear that Krasner does not engage the arguments in ways that would problematize some of these complex dynamics and would allow for the raising of counterfactuals or negative hypotheses. Krasner does not seem to think that we need more specific research to gather more facts or to open up the range of interpretations of old and new facts.

Interdependence Sovereignty

Krasner observes that states have a long and changing relationship with transnational flows and that hence the current globalization phase is not distinct. He interprets the shifts in monetary and other economic policies in the last two decades as simply a continuation of these longstanding interactions and therefore as evidence in support of his argument that globalization has not reduced state authority.

I find this assertion excessively general and framed in a way that closes off discussion. First, even at face value it is clear that it may hold for the United States and a few other enormously powerful states, but not for most states in the world, including many reasonably well-functioning ones, which often have been forced, directly or indirectly, to adopt these policies. And these pressures have not succeeded simply because all were failed states. Many were not originally, but became so after the full impact of these policies over a decade and more, particularly policy changes linked to corporate economic globalization and the formation of a global capital market. Secondly, different today is also the extent of cross-border institutionalization of these policies, both through the supranational system and through convergent national policy changes in a growing number of countries.

Focusing on one particular instance of these trends, Krasner writes that the data do not support the claim that states cannot effectively regulate multinational corporations. Krasner sees the correlation between higher levels of government expenditure, taxation, and higher foreign direct investment as inconsistent with the globalization claim—both in its hyperglobalist and transformationist versions.

There are several issues here that need to be distinguished. FDI, and even more so financial capital, have indeed disproportionately flowed among developed countries. These countries are in many ways more expensive to operate in, but this cost is secondary to other criteria for investment, such as the nature of a country's economic regulations and markets. Even the export of labor-intensive manufacturing work to access cheap labor, did not lead firms to chose the cheapest countries. They went to those with considerable social and police control over society generally and the workforce particularly so as to ensure orderly operations. Also today, the logics for foreign investment and capital flows cannot be reduced to a narrow definition of costs, i.e., lowest taxation rates. Investment and

capital flows are highly patterned and they have contributed above all to the formation of increasingly structured cross-border political economies in the developed world. There is today a sort of North Atlantic system for global economic operations. And it is not cheap; indeed, it has cost taxpayers a lot of money.

A second issue is the actual capability of states to regulate multinational corporations. I agree with Krasner that in principle states have this capability, and I find that states could do far more than they do now. But it would take considerable innovations and new types of specialized multilateralisms to be truly effective. Further, we cannot generalize across all states. We need to distinguish between the capabilities of the most powerful states in the world today and the rest. I would disagree with Krasner's assertion that the existence of state capabilities to regulate multinationals is proof that globalization is not an issue here. On the contrary, I would argue that the extent of innovations necessary for states to institute effective capabilities is itself an indicator of the increased power of multinational firms (and global markets) vis-à-vis states. Krasner closes off discussion of alternative hypotheses by asserting that nothing much has changed and states are fine.

Krasner acknowledges that the scope of state authority has declined in several areas and increased in some, a trend central to the transformationist argument. For Krasner this trend is a matter of fact that does not change anything and for which there is no evidence showing a systematic association with globalization. Both are problematic assertions. There is considerable evidence of a very strong association with economic globalization and the change of position of central banks and ministries of finance in much of the world. Just to mention one major instance, the IMF has made very precise demands and put enormous pressure on a very large number of governments to ensure the autonomy of central banks from the executive branch of government. This has raised the weight, power, and clout of central banks and is directly connected to ensuring the viability of a global capital market.³ Another example is the broader project of making states competitive through the implementation of fiscal policies that cut welfare expenditures, with the resulting increased power of ministries of finance and weakening of welfare departments. Though perhaps less clearly connected to globalization than the push for central bank autonomy, it is nonetheless generally recognized as connected to the broader effort of deregulating economies, a key feature of globalization.

But beyond these issues of fact, one might ask what is gained by Krasner's outright rejection of even the possibility that some of the changes inside the state might be connected to globalization. Good social science practice would call for these conditions to be positioned as counterfactuals worthy of consideration. I also find problematic Krasner's argument that because these transformations inside the state are evident over the centuries they are proof that globalization cannot have anything to do with today's power shifts inside the state. Should we not at least inquire as to the specifics of current developments and allow for the hypothesis that

the power of the global market for capital and institutions such as the IMF are likely to have something to do with the growing importance, power, and clout of monetary and fiscal departments within national states? This type of power may long have been the case in the United States—though I would argue that there is something distinct about today’s power shifts also in the United States. But in most countries of the world the power that now attaches to central banks and ministries of finance is new.⁴

International Sovereignty

For Krasner, “international sovereignty has not withered in the face of increasing transnational flows.” This is not only a very general statement but also one that raises the ante: “withered” is a strong term to use. Put this way, transformationists would have to agree. Further, I agree that international legal sovereignty continues to be a key feature of the interstate system even in the face of enormous changes. But I draw a distinction between this and a set of substantive transformations in the institutional framing of territory.⁵ I am troubled by how Krasner uses history as evidence. Krasner sees the formation of new states as proving the ongoing assertion of international legal sovereignty. It is not at all clear what the accelerated formation of states proves, especially since later on in the paper Krasner invokes this fact for what is almost the opposite argument, to wit that many of these states lack domestic sovereignty and in this differ from earlier epochs of state formation, “when international recognition was usually limited to juridically independent territorial entities with some minimum level of resources.”

I would posit that this sharp growth in state formation could be interpreted as evidence that the nature of statehood itself is changing. It is easier to become a state and in much of the world it is, generally, less meaningful to be a state. This could signal a devaluing of statehood and a growing importance of other institutional orders, both old and new, that complement and at times partly replace states. In this process something has changed in the nature of statehood as this had come to be understood and constructed historically.

Krasner recognizes that it is a standard tactic today for states to enter into international agreements that enhance their joint level of control over what they cannot regulate unilaterally. Also here Krasner sees no significant change today and certainly no connection to globalization. This is factually incorrect since several institutions have been developed that have enforced multilateralism on states. It is only if one examines these issues from the perspective of the United States that one might see matters the way Krasner does.

Beyond this there is, again, a framing of the argument which repositions significant change. Thus Krasner recognizes that today (a) states can do less unilaterally and (b) they need international institutions more, but positions this as if it

were proof that nothing has changed because states are still the main actors. I would agree that a and b do not necessarily diminish the international legal sovereignty of states. But I would argue that they do alter domestic sovereignty and that Krasner's placing of this development in the context of legal sovereignty has the effect of neutralizing other interpretations of what a and b might mean in terms of the impacts of globalization on sovereignty.

Domestic Sovereignty

Krasner argues that there is a positive correlation between strong domestic sovereignty and participation in the global economy, a correlation he sees as undermining the globalization perspective. This is incorrect on both accounts. There are several issues that need to be distinguished. First, what is the meaning of participation? Many countries (e.g., Argentina, Indonesia, Thailand, and numerous others) have far higher levels of "participation" in the global economy than the United States, but it is certainly a very different *kind* of participation. Many of the most internationalized economies lack strong domestic sovereignty. And many states with strong domestic sovereignty have comparatively low levels of internationalization: for instance, most trade, investment, and publicly listed capital in the United States is domestic.

Related is Krasner's assertion that globalization is not a threat to sovereignty. One might observe that for many countries in the world it is, as the devastation of national economic sectors in much of the global south shows. To this Krasner might respond that it is not globalization but the growth of failed states, including particularly many of the newly formed states which lack the resources to be territorially autonomous. To this one might retort that there have long been failed states which have managed significantly better than is the case today. Further, many of the devastated countries cannot be described as having had failed states, or being devastated because of state failure. Argentina had a functioning state—good enough for investors and firms from all over the world to come in and set up operations, invest in real-estate development, and acquire firms in just about all economic sectors. It was after a full decade of this high level of foreign participation in its economy that state failure set in, i.e., the sovereign bankruptcy of December 2001 and the ensuing social and political crisis.

The global economy is a political economy; questions of power are crucial, questions of the intersection between public and private authority are crucial, and so are the agendas of the most powerful states. These powerful states may indeed be better positioned to enter the global economy on equal terms with powerful global firms and global markets. But the obverse is not true as Krasner suggests: that weak states are less likely to participate. Such states are often far more internationalized, but in a radically different way from that of strong

states. The concept of the “weak state,” much used by Krasner to explain away the impact of globalization, can easily obscure the fact that “weakness” is not necessarily an intrinsic attribute of these states as much as it is a function of their relation to powerful states. The issue may well be the will of strong states to impose their conception of what are desirable criteria for running the economy, or, at times more crassly, the will to ensure access for their firms.

Further, go tell most of the countries in the world that globalization has not really changed their domestic sovereignty. It may not have for the global north but it certainly did for much of the global south. In my reading of the evidence it also did for particular constituencies inside the global north, notably labor unions and particular entities within the state. I would posit that these changes inside the state—both in the global north and south—may well be indicators of state transformations sufficiently strong that little is gained by insisting that nothing has changed. We need to trace and understand in what ways, both large and small, significant and not, these conditions have affected state authority and state work and thereby domestic sovereignty.

A final argument raised by Krasner is that of the frequently invoked example of the impact of globalization on the rise of NGOs and TNGOs. Krasner observes that these types of organizations need democracy to exist and thrive. I agree. But I disagree with Krasner’s inference that hence the growth of NGOs is not an indicator of globalization but of the growth of democracy. How then to interpret the growth in the last two decades of NGOs and TNGOs in long-established democracies, as well as their new role in the supranational system, e.g., their new status in the consultative process of the World Bank. I would want to recognize this and at least ask the question as to whether it is an indicator of a change that deserves identification and naming.

Vatellian/Westphalian Sovereignty

Krasner correctly observes that throughout its history the modern state has seen its Vatellian/Westphalian sovereignty violated. The international community has pushed states to implement minority and other such rights, and demanded a certain share of revenues as repayment on loans. Krasner posits that these are equivalent to respectively today’s human rights agreements and IMF obligations. I can agree with this as a very general proposition. But on a more specific level I would have to emphasize today’s increased institutionalization of supranational authorities. Can we really compare the type of imperial power that forced the Ottoman or Serbian administration to pay back loans with today’s IMF? There are parallels. But one major difference is the interstate recognition of the legitimate authority of the IMF, even when this recognition is either reluctant or enforced. This is not the direct exercise of imperial power nor is it

gunboat diplomacy. The intermediation of power today has reached a threshold that makes it different from those earlier periods. It is indeed an option to interpret this as evidence that nothing has changed. But is this helpful for understanding what is going on? None of these particular issues means the end of the national state. But they do signal a profound transformation.

Krasner recognizes that the violations of Vattelian/Westphalian sovereignty are more extensive today, but argues that this reflects neither the impact of globalization nor a change in sovereignty. For Krasner what characterizes the current period is that there are more democracies and more failed states. Variability in the forms assumed by sovereign authority is nothing new. For Krasner, today's specific variability is thus nothing new and therefore cannot be associated with globalization.

Using the greater number of weak states as an explanation for today's more extensive violations of sovereignty is, in my reading, problematic. Perhaps this holds when one considers the question from the perspective of the United States and other developed economies. But this does not hold for a very large number of other states that have become weaker and less sovereign than they were before the current phase of globalization-linked policy changes and the opening up of their economies. In this case, the growing number of weak states is to a good extent a consequence of the implementation of policies associated with corporate economic globalization. Argentina is but the most dramatic example: it is a far weaker state today after a decade of rapid globalization of its economy than it has ever been in its history.

Conclusion: Divergent Interpretations

Would our understanding of what is going on in the world today not benefit from making some of Krasner's assertions into research questions rather than trotting in evidence which is not necessarily a proof and is at times spurious? The fact that states remain the key actors does not preclude the possibility of change in the substantive rationality of statehood as a consequence of an increasingly institutionalized set of cross-border orders, including new forms of private authority.

How to interpret these microtransformations? We can, as Krasner does, keep these changes under the existing interpretive frame and assert that the national state is still in charge and hence that these changes are not indicators of the impact of globalization. Or we can, as I suggest, seek to capture these microchanges and ask whether they accumulate into a significant transformation. The issue here is not that such transformations have never happened before; nor is it to deny that international law, interstate agreements, or treaty law have long been part of the work of national states. The issue is rather the extent to which this current specialized work of states oriented to the implementation of various

global systems has major consequences for the “national” agenda of states (epitomized by Keynesianism, no matter how much of an internationalist he was).

My reading of current trends differs from Krasner’s in that I emphasize microchanges in the work of states and in state authority resulting from the pressures and conditionalities of globalization, especially corporate economic globalization. Over the last decade, a growing number of often highly specialized components of national-state institutions have reoriented some of their activities and responsibilities toward the implementation of the technical apparatus necessary for global systems. In the case of the global corporate economy, we can identify such a reorientation in quite specific components of central banks, ministries of finance, welfare programs, departments of commerce, trade and investment bodies, particular subcommittees in legislatures, various specialized regulatory commissions—different animals in different countries. In brief, we have in most (probably all) developed countries and many LDCs a growing web of activities and new formalized rationales that reorient work away from “national” agendas and on to “global agendas.” I emphasize the partial and specialized character of this particular work of states; most of the work of each of these entities continues to be oriented toward the same obligations they have had for the last fifty years. Mine is, then, a point about highly specialized changes, many still couched, or captured, in the same old language of the national state when in fact they are part of the global. I see this type of research as helping us the most in understanding the meaning of globalization. In this regard I disagree with many of the generalities in the so-called hyperglobalist perspective.⁶

I interpret this as an incipient, highly specialized, partial process that denationalizes what has historically been constructed as national (see Sassen 1996, 2004). I emphasize that this process of denationalization is incipient, partial, often highly specialized, and that it is taking place along with processes of partial renationalization, e.g., immigration policy and post-September 11 domestic security. Denationalization is one of the specific dynamics that makes the current phase of the world economy distinct, with perhaps its most advanced form in corporate economic globalization. This is a process that is just beginning but is leading to some sharply different institutional and normative configurations.

Thus I wind up identifying a third domain—denationalized domains inside the state—in addition to the two typically identified, that is the domain of the national as historically constructed and that of the global. And I interpret the denationalizing of specific components of state work as one way in which globalization becomes endogenous to the institutional apparatus of the national.

Notes

1. See Krasner, this volume.
2. Krasner here refers to what is perhaps the most systematic examination of the different strands in the globalization literature (see Held et al. 1999). I should probably mention that Held et al. classify me as a “transformationist,” a characterization I had not quite thought of but am comfortable with.
3. While it is a subject of debate, I argue that the current market for capital is quite distinct from the one at the turn of the century, not because of questions of size but of institutionalization and digitization (see Sassen 2001, chaps. 5 and 7).
4. There is a growing body of research showing the shift from lawyers to economists in the positions of greatest power in today’s governments, a shift that parallels the ascendance of central banks and ministries of finance (e.g., for the case of Latin America, see Dezalay and Garth 1996).
5. See my distinction between national territory and exclusive state territoriality (Sassen 1999).
6. I have been particularly interested in changes inside the state rather than only in the supranational system as is more common in globalization research. Over the years I have developed a research heuristic aimed at detecting the presence of the global inside what has historically been constructed as the national. The result is a conception of globalization that includes not only the self-evident scale of the global (i.e., IMF and WTO), but also the possibility that the global is partly endogenous to the national (e.g., global capital as denationalized national capital) and/or becomes endogenized. My model of the global city is one representation of such an interpretation (Sassen 2001).