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GLOBALIZATION AND STATE POWER*

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Globalization is widely perceived as the master concept of our time. Yet a consistent definition remains elusive. Ironically, while participants in the globalization debate disagree over the meaning and extent of the phenomenon, they are largely united in the view that globalization impacts negatively on state power. In many cases, definitions of globalization presuppose in a somewhat circular manner the very outcome (of state retreat) that demands empirical investigation. A more fruitful conceptualization allows for the possibility that globalization may actually complement and co-exist - as opposed to undermine or compete — with national socio-spatial networks of interaction. This in turn paves the way for a more nuanced appraisal of the differential impact of economic openness on the capacity for national governance. Specifying the conditions under which state capacities may be either enhanced or diminished, sidelined or strengthened, remains the key task for students of the politics of international economic relations.

INTRODUCTION

Whether as observers or analysts, as enthusiasts or critics, many contemporary thinkers from many disciplines subscribe to the influential view that globalization is the master concept of our time. Although a single shared definition remains elusive, those who adhere to the global idea firmly believe that as the integration of the world economy advances, national governments are becoming less relevant, losing their powers not only to influence macroeconomic outcomes and to implement social programmes, but also to determine strategies for managing the industrial economy. From this perspective, the nation-state is but a pawn in the invisible hand of the global market.

According to the new orthodoxy, we are now entering a new phase in world history in which cross-border flows in goods and services, investment, finance, and technology are creating a seamless world market where the law of one price will prevail. What we are witnessing, say the proponents of globalism, is no less than the demise of the nation-state as a major power actor, the dissolution of 'national capitalisms' with their characteristic institutional arrangements, welfare systems and industrial policies, and

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ultimately worldwide convergence on one kind of economic system: Anglo-American-style free market capitalism (cf. Reich, 1990; Cable, 1995).

As perceived by the globalists, both the nature of capitalism and the role of the state are being transformed: On one hand, capitalism is becoming increasingly 'ungoverned' as markets are disembedded from institutions. On the other hand, state power over territory is withering, giving rise to a different kind of state — one which has lost sovereignty, scaled back welfare programmes and industrial policy, and entered into multilateral governance arrangements. The primary locus for policymaking and for governing economic affairs is thus allegedly shifting away from the nation-state, giving rise to a politics of less rather than more democracy.

As these brief comments suggest, participants in the globalization debate have often seemed a good deal clearer about the *implications* of globalization than about its *meaning*. In attempting to develop a clearer understanding of what globalization as a concept *means*, and in turn what it *implies* for state power, this paper is divided into six sections. The first three sections are concerned with the debate surrounding the concept of "globalization". They identify the limitations of conventional definitions of globalization, and propose an alternative conceptualization based upon Michael Mann's model of socio-spatial networks of interaction. Sections four and five address the implications of "globalization" for state power, calling into question the zero-sum logic upon which many globalist propositions are based, i.e. does increasing globalization necessarily entail a decrease in state power? The final section examines the politics of globalization, and the proposition that states may seek to encourage and manage globalization (economic openness, capital mobility, strategic alliances) in order to enhance national economic and political interests.

WHAT DOES 'GLOBALIZATION' MEAN?

'Globalization' has taken over from 'internationalization' as the preferred term of social scientists since the late 1980s. The term first made its appearance back in the 1970s when authors used it to refer to the European-driven conquest of non-European regions in the nineteenth century and the attempt to integrate them into one global trading system (Modelski, 1972). But the term did not come into its own until taken up by the large American business schools in the 1980s, which sought to deliver the message that any obstacles to the business activities of multinational corporations would undermine economic wellbeing (Chesnais, 1994: 14). Assisted in large part by the business media, 'globalization' has thus rapidly entered the popular lexicon, becoming the buzz word for the 1990s.

The term itself has been vaguely defined and used with widely varying meanings. In spite — or perhaps one should say because — of this very vagueness and interpretive licence, enthusiasm for using the language of globalization has itself become a global phenomenon, infecting all levels of society, from poets to prime ministers. The political economist, Susan Strange (1995: 293) has called globalization

> 'a term used by a lot of woolly thinkers who lump together all sorts of superficially converging trends in popular tastes for food and drink, clothes, music, sports and entertainment with underlying changes in the provision of financial services and the directions of scientific research, and call it all globalization without trying to distinguish what is important from what is trivial, either in causes or in consequences'.

In the least trivial sense, globalization is quintessentially an economic process, whose causes and consequences may be political and social (as well as economic). This sense of an economic process at the core of a globalization tendency is one that can be identified as more or less implicit in most definitions of the term. Sociologists and political scientists tend to opt for more encompassing and more general definitions in which economic processes are often presupposed. Thus, for example, British sociologist Anthony McGrew (1992: 23) defines globalization as 'the multiplicity of linkages and interconnections between the states and societies which make up the modern world system', and as 'the process [whereby what happens] in one part of the world can come to have significant consequences for individuals and communities in quite distant parts of the world'.

More specific definitions tend to focus on one or more aspects of economic integration, including the 'erasure of … national systems of financial regulation' (Strange, 1995: 294) and 'the international expansion of firms' (OECD, 1996: 9). So 'What does globalization mean?' asked the *Economist* in its 1992 'Survey of the World Economy'. The term, it went on to assure the reader, 'can happily accommodate all manner of things', including 'expanding international trade, the growth of multinational businesses, the rise in international joint ventures and increasing interdependence through capital flows' (*Economist*, 19 Sep. 1992, p. 5).

While such phenomena are the stuff of the most influential accounts of globalization, they are not in themselves very illuminating. At best, they may provide indicators or measures of the extent to which the world economy is becoming more interconnected. But they provide little insight into the nature of the beast of globalization itself. This becomes immediately obvious when one considers that the very processes outlined by the *Economist* — the growth of international trade, production, and investment — may just as readily be used to indicate a tendency towards 'internationalization'. So what is the difference?

In much of the literature, the difference remains obscure: 'global' and 'international' are used interchangeably, almost as if the former were simply a more upbeat and up-dated term for the latter. As one writer observes with regard to the concept of the 'global' corporation, 'It has been preceded in the last 30 years by a string of synonyms such as: international, inter-territorial, multinational, transnational, and world-wide' (Hu, 1992: 120).

These terms, however, are not at all synonymous. One might easily envisage a world economy with very high levels of international trade and investment, but that would not necessarily make it a *globalized* economy. It may simply remain a highly internationalized economy in which most companies trade from their bases in distinct national economies (Hirst and Thompson, 1996: 185). In this case, there would be no need for the new term.

GLOBALIZATION AND SOCIO-SPATIAL NETWORKS OF INTERACTION

To grasp the globalization concept, we must first begin by way of invoking contrasts, not synonyms. As with all concepts imbued with a contrastive rationale, their meaning usually derives from some alternative or preceding situation with which they are being compared. In this case, the term 'global' (and by implication its derivatives) is meant to represent a new or different level of socio-spatial interaction. By way of illustration, consider Michael Mann's (1997) fruitful distinction of five different socio-spatial networks of social interaction in the contemporary world order: local, national, international, transnational, and global.

Local and *national* networks refer to relationships that are respectively constituted at sub national level or bounded by the nation-state, for example, regional support groups and domestic terrorist organizations. *Inter-national* networks involve relations between nationally- and/or state-constituted networks. Typical examples of the former include soccer teams and large corporations, while the latter involve the more formal institutions for regulating economic and military affairs, such as the EU, the WTO, NATO, and the UN.

One should emphasize that in all three cases mentioned up to this point, the maintenance of the networks in question is more likely to *presuppose* than to dislodge or override the nation-state. In short, when we are considering local, national, and inter-national modes of interaction, geography still matters. It is when we turn to the fourth and fifth types of network that this conclusion becomes more contentious.

Transnational networks are such by virtue of their ability to operate without regard to national boundaries and without being affected by them. Examples include cultural movements and religious sects. Their reach may be cross continental in scope (e.g. the 'hippy' movement of the 1960s), or they may be more narrowly organized across two or more neighbouring countries (e.g. the Moonies). Thus, although typically understood as worldwide, transnational networks are not necessarily the same as 'global' ones.

Global networks operate more or less on a worldwide basis, ranging from social movements (environmentalism, feminism, and socialism) to money markets. In terms of concrete organizations, however, genuinely global candidates seem in somewhat short supply. The Red Cross, although Swiss in origin, appears to fit the bill. On the other hand, Amnesty and Greenpeace, although also organized worldwide, have not been immune to the 'national' differences that can thwart a global response. Even so-called 'global' corporations, on close inspection, appear to be the exception rather than the rule (Hu, 1992; Wade, 1996).

As the exemplary case of a global network, many would nominate capitalism, for it extends commodity exchange relations more or less evenly across the globe — especially since the collapse of the Soviet alternative. But this fact (i.e. the extensive presence of capitalist relations) does not exclude the possibility that capitalism — as a *global* system — also remains highly *embedded* in *national* networks of interaction (see, e.g., Berger and Dore, 1996; Hollingsworth and Boyer, 1997; Crouch and Streeck, 1996).

We come thus to the heart of the matter. In medieval times, local and transnational networks were more significant than national or inter-national networks. But as the system of nation-states took shape over several centuries, the (transnational) capitalist economy became segmented nationally — and thus embedded more tightly in national networks, rules, and institutions. The nation-state thus came to be fundamentally constitutive of both the national and world (i.e. inter-national) economies (Poggi, 1978, 1990). Is this still the case? Does the nation-state still play a central role in structuring social networks of interaction, or are we entering a 'new medievalism' (Mathews, 1997)? Before we can address such matters, further conceptual clarity is in order.

GLOBALIZATION COEXISTING OR COMPETING WITH NATIONAL NETWORKS?

To get a grip on globalization, we must bear these various socio-spatial distinctions in mind. In a rigorous sense, globalization means multiple, overlapping, and extensive interpenetration of national economies to the point where the importance of national and international networks declines relative to the weight of transnational and global networks. The notion of globalization thus conveys a 'widening' and 'deepening' of international ties to a degree that creates a qualitatively new (i.e. global) network of social interaction. Though often unarticulated, this appears to be what the most authoritative accounts have in mind when seeking to assess empirically the extent of global economic integration.

Whether a globalization tendency exists, of course, is an issue to which we must return shortly. However, it is striking that much of the globalization debate leaves the matter precisely at this point: for both globalists and their critics, measuring the size of international flows has become the key test of validity of the globalization thesis. However, even if global networks could be shown generally and unequivocally to be advancing (whether in trade, production, or finance), this would not clinch the matter. For it would by no means exclude the possibility that the very growth and maintenance of global networks depended upon national/international networks as much as, if not more than, transnational networks (Mann, 1997).

Thus, as these points indicate, enthusiasts must today confront not one but *two* issues raised by the globalization thesis. First is whether transnational and global networks are growing in importance relative to national and inter-national ones. This is a simple 'measurement' issue, though it is often conflated with the 'impact' issue. But the question of how far globalization has advanced should not be confused with the issue of its effects. For even if global networks have advanced very far — as indeed they have in financial markets — one must still determine the extent to which national and inter-national networks contribute to their continued operation and existence.

The real issue, then, is whether the kind of world economy in the making is a transnational one in which *displacement* of national and inter-national networks of interaction is occurring, or one in which such networks (and thus the state) retain a pivotal, if changing, role. In sum, the power of the global idea (and, indeed, the purported weakness of state power) turns on whether or not 'national' and 'inter-national' networks of interaction are being both *outweighed* and *displaced* by 'transnational' networks.

This conclusion casts a rather different light on the conventional wisdom, which takes for granted that a global network must supplant all others. For most globalists the emergence of a global economy implies a world in which economic exchange has transcended national territorial space as the primary locus of accumulation. Geography, in the sense of physical location, no longer matters to economic transactions.

The widespread acceptance of this form of zero-sum reasoning explains why it is that the language of globalization has come to imply tendencies quite different from those captured by the language of internationalization. Indeed, to use the language of globalization is fundamentally to claim that the nation-state is no longer important either as power actor or as a site of economic accumulation. But we see now that there is a half-way house. It is possible for a globalization tendency to exist, and yet to do so by virtue — not at the expense — of the structuring and coordinating capabilities of national and state-constituted institutions. Globalization in fact may be quite open ended.

GLOBALIZATION AND TRANSGOVERNMENTALISM

To use that disconcerting cliche, there is nothing new under the sun. Globalism (or transnationalism) it seems is no exception, having provided the original context of economic and political modernization. Modern state formation involved a kind of caging process since it meant that social interaction networks that started out largely as transnational or local in scope became increasingly regulated at the national level.

By 'nationalizing' much of social life, nation-states thus provided a sort of 'social caging' device that existed alongside and gave structure to transnational networks (Mann, 1993). The caging of social relations that the nation-state made possible should be seen as a metaphor not for territorial confinement or restriction, but as a way of conveying the idea that all social relations and all outcomes of social struggles (whether at local or supra-national levels) came to be regulated through the nation-state. The state became a focal or coordinating point for social activity. As Mann has argued in a larger time frame contrasting pre-industrial and modern states,

'The 'power' of the modern state principally concerns not 'state elites' exercising power over society but a tightening state-society relation, caging social relations over the national rather than the local-regional or transnational terrain, thus politicizing and geopoliticizing far more of social life than had earlier states' (1993: 61).

The key political issue today is whether that state-society relation is dissolving, paving the way for global forms of government. Globalization theorists cite a number of tendencies — largely economic, but also to some extent environmental, social and military — held to be displacing the domestic powers of the nation-state. But much depends on whether, in general, the new transnationalism — in contrast to earlier forms — remains embedded in the system of nation-states, or — as globalists would claim — bypasses it altogether. Among globalization theorists, two rival schools of thought — the 'new medievalists' and 'liberal internationalists' — envision the end of the nation-state and a substantial power shift. The ultimate end point, however, is radically different in each case. Where the new medievalists predict a shift to 'global governance', the liberal internationalists see the growth of 'world government'. The latter implies the formal exercise of power by established international institutions. In contrast, global governance entails a form of private power, involving cooperative problem-solving by shifting coalitions. Its growth is attributed to revolutionary information technology and, hence, an unprecedented communications capability that empowers non-state actors while diminishing traditional authority. According to this conception, 'The result is a world order in which global governance networks link Microsoft, the Roman Catholic Church, and Amnesty International to the European Union, the United Nations, and Catalonia' (Slaughter, 1997: 184).

More and more studies, however, are beginning to draw a very different conclusion. A gain in power for non-state actors is not necessarily at the expense of state power. This new group of transgovernmentalists contends that today's new international problems — from terrorism and money laundering to bank failure and environmental degradation — have generated a new, transgovernmental order in which the state, rather than dissolving, is disaggregating into functionally distinct parts. These distinct entities — which range from regulatory agencies to courts and legislatures — are networking with counterparts abroad, thus creating transgovernmental networks. Thus to the extent that transgovernmentalism is emerging, its existence presupposes — rather than disposes of — the nation-state (Lutz, 1996; Slaughter, 1997).

More and more studies are therefore standing orthodoxy on its head. Rather than 'escaping' the territorial cage, much new 'transnational' activity appears to be sustained by it. The state and the international system have come to provide not merely the stimulus for global competition and global cooperation, but also the structure that both enables and encourages it.

THE LIMITS OF GLOBALIZATION

Regarding the question of whether the relative weight of global networks is increasing, there is however strong disagreement, the one partial exception being in the area of money markets (Stallings, 1995; Wade, 1996). With varying degrees of boldness, its proponents posit the disintegration of national economies and the demise of the state's domestic power. Capitalism is becoming increasingly transnational, say the globalists, and this is displacing national political and economic power networks. Like all orthodoxies which attract a majority following, this one is not without substance. The sheer volume of cross-border flows, of products, people, capital and above all of money, is hard to ignore. The real question, however, turns on the meaning of these flows: In what way are they unprecedented and therefore posing novel challenges? Are they of necessity producing global convergence, ironing out national institutional differences? And to what extent does globalization impose uniform responses to change, rendering states powerless to pursue their own national objectives?

It is undeniable that striking changes have taken place inside nation-states in recent times. On the social policy front, there has been a decisive move towards fiscal conservatism, whether from the right or the left, with reforms to taxation systems and the trimming of social programmes (see Rhodes, 1996; Swank, 1997). In the economic sphere, governments have moved towards greater openness in matters of trade, investment and finance. These changes are often represented as prima facie evidence of the emergence of a new global 'logic of capitalism'. According to this logic, states are now virtually powerless to make real policy choices; transnational markets and footloose corporations have so narrowly constrained policy options that more and more states are being forced to adopt similar fiscal, economic and social policy regimes. Globalists therefore predict convergence on neoliberalism as more and more states adopt the low-taxing, market-based ideals of the American model.

There is however considerable controversy over not only the extent of globalization as an economic tendency, but also its impact on policy choice and the outcome of regulatory reforms. Sceptics fall into two camps. The first sees globalization as something of a myth, and globalization claims highly exaggerated (Hirst and Thompson, 1996). Measurement is the main strategy for this group of writers. They seek to identify the empirical limits and counter-tendencies to global integration, thus questioning the extent of economic globalization. Measurement sceptics conclude that the novelty, magnitude and patterning of change in the world economy are insufficient to support the idea of a 'transnational' tendency: viz. the creation of genuinely global markets in which locational and institutional (and therefore national) constraints no longer matter. Instead they find the changes are consistent with a highly 'internationalized' economy in which economic integration is being advanced not only by corporations but also by national governments.

One must ask, however, just how much is at stake in resolving the 'measurement' issue? For even if we were to assume further such advancement, in what way would it matter? What if anything could be predicted if countries and firms were trading more of their domestic output, or investing more of their capital abroad, or producing more of their goods offshore, or forming more alliances and entering agreements with other international actors?

As far as globalists and indeed many of their sceptic critics who devote much effort to measuring and refuting its importance are concerned, measuring globalization appears to matter a great deal, for one simple reason. *In their view a globalized world necessarily entails a dramatic power shift*: one that restricts the scope for national institutions, actors, and policies while elevating the interests and preferences of non-national actors in a zero-sum form of logic. However, as I have argued elsewhere, this juxtaposition of global and national is unfruitful. It has led many commentators to misidentify globalization as the major source of policy constraints, to overstate its 'transformative' (read 'weakening') impact, and to minimize its diverse outcomes.[1]

A different approach focuses on globalization's alleged challenge to domestic (in particular, national political) institutions. It seeks to elucidate what most globalization arguments ignore: the adaptability of states, their differential capacity, and the enhanced importance of state power in the new international environment (Weiss, 1997).[2] Sceptics here argue that the modern notion of the powerless state, with its accompanying reports about the decline of the welfare state and the death of industrial policy, is fundamen-

[1]For an elaboration of this argument see Weiss (1999a). The paper advances the proposition that global and national are interdependent principles of organization rather than antinomies.

[2]The importance of institutional capacity in the new international environment is evidenced particularly in the case of South Korea, where the gradual dismantling of core capabilities that came about during the liberalization push paved the way for the high-risk borrowing and over-investment by the Chaebol, exposing Korea to sudden downturns and capital flight. For a fuller discussion of the relationship between institutional capacity and the Asian crisis see Weiss (1999b).

tally misleading. This is not merely for *empirical* reasons: i.e. because 'globalization' is not far advanced (e.g., Wade, 1996). One can also argue on theoretical grounds that even if economic integration were far more advanced than at present, the predicted emasculation of state powers would not necessarily come about. This conclusion rests partly on the fact that the impact of economic openness is always mediated by domestic institutions, thus the character of public purpose and national arrangements provide for diverse responses to and outcomes of external pressures.[3] It is also in part because, in many areas — from acquisitions and mergers to strategic alliances — globalization is being advanced by and through the nation-state, hence depending on the latter for its support and maintenance. Thus, rather than counter posing nation-state and global market as antinomies, in certain important respects 'globalization' is often the by-product of states promoting the internationalization strategies of their corporations.

Thus, say the sceptics, proponents of globalization not only overstate the extent and novelty of transnational movements; they also underrate the variety and adaptability of state capacities, which build on historically configured domestic institutions.

More critical than sceptical is a way of describing a third approach to the debate. Analysts in this category accept that globalization is real, but argue that this reality demands a greater — not lesser — emphasis on social policy in order to bolster social protection. Globalization creates not only more opportunities for national economic growth; it also induces intolerable social pressures. If governments wish to avoid social instability while preserving the benefits of open markets, they must provide the social protection to reduce those pressures. In this view, globalization has gone too far and accordingly increased rather than diminished the need for public intervention (Rodrik, 1996).

All in all, say the sceptics, 'globalization' is a 'big' idea resting on slim foundations. Its main foundation would seem to be the financial deregulation of the post-Bretton Woods era. But big ideas excite. This may partly explain why enthusiasm for the idea of globalization has transcended the evidence of its impact on state power. There is now sufficient evidence to

[3]Such diverse responses are exemplified by the varying approaches to pressures for financial liberalization in Korea and Taiwan. While both Korea and Taiwan embarked upon a process of financial liberalization from the late 1980s onwards, only in Korea was liberalization accompanied by significant dismantling of the state's coordinating capacities. In Taiwan, liberalization was accompanied by a series of re-regulatory measures that sought to manage the process of increasing economic openness, thereby enhancing state capacity rather than effecting state retreat. For the comparative evidence see Weiss (1999c).

indicate that globalization is partial rather than extensive and that its true face can be found in finance. But whether we employ the language of internationalization or globalization to better understand the changes taking place in the world economy may not matter much, provided their impact on national governance is not presupposed. For as indicated earlier, there is also mounting evidence to suggest that globalization challenges have been exaggerated, and that the character of domestic institutions and the orientation of national authorities remain critical to outcomes.

THE POLITICS OF 'GLOBALIZATION'

Globalization as a tendency has often been confounded with the technical or political instruments (i.e. information technology, policies for trade and financial liberalization, which drive the process forward and make it possible. Yet, as the above discussion indicates, far from being simply a spontaneous product of free markets or new technology, so-called globalization is in many respects a political creation (Banuri and Schor, 1992; Wade, 1996; Hirst & Thompson, 1996; Mann, 1996; Helleiner, 1994). It is political, firstly, in the key sense that the opening up of financial markets and the added constraints on policy autonomy have occurred as a result of governments, either willingly or unwillingly, ceding to pressure from financial interests (Banuri and Schor, 1992: 13; Helleiner, 1994). But it is political also in the sense that states increasingly seek to facilitate rather than constrain the worldwide trade, investment, and production strategies of their corporations.

Many inter-state agreements of recent times can also be seen in this light. A state may seek to enhance control over the external environment by entering into alliances and agreements with other states. Such agreements involve a search for new ways of meeting new burdens, ceding some sovereignty in return for enhanced capacity to deliver on growth and employment. In that sense they are 'a gambit for building state capacity' (Ikenberry, 1995: 123). The state thereby pools some sovereignty in return for increased coordinating capacity. This was the aim of member states of the EU, and it informs much of the thinking behind APEC and NAFTA. The promotion of 'regional integration' is thus one means by which states may reconstitute core capacities and bolster opportunities for national capital. In this way, states can be seen as perpetrators or 'catalysts', rather than victims, of a so-called globalizing tendency (see Lind, 1992). Thus, while the EU member states are no longer the sole centres of power within their own borders (i.e., no longer 'integral' states), it may well be that the very alliance of European states has enabled each member state more rather than less control over the international economy — in particular, by 'Europeanizing' the market, and thus strengthening and creating barriers (both natural and formal) to intercontinental rivals. As David Held (1991: 154) observes, the EU alliance 'has actually helped the survival of the European nation-state faced with the dominance of the USA in the first three decades following the Second World War, and the rise of the Japanese economic challenge'.

Thus, far from relinquishing their distinctive goals and identity, states are increasingly using collaborative power arrangements to create more real control over their economies (and indeed over security). As such, it is fruitful to view these new coalitions as gambits for building rather than shedding state capacity.

CONCLUDING REMARKS

There have been many attempts to define, delimit and explain globalization. Some accounts highlight the shrinkage of conventional time-space distantiation as a result of revolutions in communication and transport technology; others emphasize the expansion of a trans — or supra-territorial realm of activities that undermine national boundaries, and so forth. Many such attempts capture important aspects of a globalization tendency. Many more, however, confound *definitions* with purported *outcomes* — viz. the creation of a 'unified world market' and 'global governance' in which the usual constraints of location and institutions no longer matter.

But if the preceding discussion has served a useful purpose, it is to emphasize and remind that such unifying outcomes are not preordained by a globalization process. The key point is that globalization and state power are not locked in a negative-sum relationship whereby the advance of the former can only occur at the expense of the latter. A globalizing tendency may well coexist with — or, indeed, operate effectively only by virtue of being supported by — multiple networks of social interaction, especially national and inter-national ones.

This conclusion should come as no surprise to those with an historical perspective. As historical sociology has long shown, the constitution of societies (read nation-states) has never been 'pure' in a socio-spatial sense; societies have never been insulated from 'external' pressures, and have always consisted of multiple and overlapping (including global) networks of interaction (Mann, 1986; Frank and Gills, 1996).

The key task for future research is to examine systematically how national authorities are responding to the challenges of economic openness (from financial markets and foreign direct investment to WTO agreements). Only in this way will it be possible to subject the claims about diminishing capacities for national governance to some rigorous assessment. When more and more studies turn their attention to the interplay between domestic institutions and economic openness, we shall have advanced beyond the 'top-down' story of globalization that has so far dominated debate.

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