THE ECLIPSE OF THE STATE?
Reflections on Stateness in an Era of Globalization

By PETER EVANS

J. P. NETTL'S classic 1968 article on the state aimed to convince his fellow social scientists that "the thing exists and no amount of conceptual restructuring can dissolve it." 1 Analysis of the state was "not much in vogue," as Nettl put it, and he considered this an intellectual aberration. He was convinced that "stateness"—the institutional centrality of the state—varied in important ways among nations, and that political behavior and institutions could be understood only if the state were brought back into the center of political analysis. The three decades since have thoroughly vindicated Nettl. Issues of stateness regained and retained the kind of centrality that he argued they should have. The debate that he helped revive continues unabated.

While Nettl has been vindicated, the form and content of his vindication are full of ironies. The spread of interest in the state to economics, a discipline almost completely ignored in Nettl's article, 2 has been central to the revival of debate. In part because of this disciplinary shift, the stakes are defined differently. For Nettl, the alternatives to "stateness" were systems of public authority in which other kinds of institutions (parties in Britain, the law and legal institutions in the United States) were salient. Current debates are less about the form of public institutions than about the extent to which private power can (or should) be checked by public authority. Reinvigorated political faith in the efficacy of markets combined with a rediscovery of civil society cre-

1 "I would like to thank Fred Block, Ha Joon Chang, Neil Fligstein, Stephen Hadaway, Anil Kohli, John Ruggie, Theda Skocpol, John Stephens, and especially the members of my graduate seminar in comparative political economy for their useful criticisms of an early draft of this paper and, of course, to absolve them from any responsibility for the directions taken by my response."


ates a charismatic set of substitutes for public institutions and a corresponding set of arguments for the "eclipse of the state."

Changing theoretical perspectives cannot be separated from real historical changes in the position of the state. In the brief decades since Nettl wrote, the demands on the state have burgeoned. In the OECD countries demographically driven increases in transfer payments have resulted in a doubling of government expenditures as a proportion of GDP. In developing countries the desire for more rapid economic development produced a similar expansion. Lagging development of political and administrative institutions resulted in an ominous "capacity gap." In some parts of the developing world, most dramatically Africa, real eclipses of the state, in the sense of full-blown institutional collapse, took place. Even where there was no threat of collapse, a worrisome erosion of public institutional capacity seemed to be under way. It was much harder to ignore the state in the 1990s than it was in the 1960s.

Perhaps most ironic, from the perspective of Nettl's analysis, is how changes in the international arena have affected "stateness." For Nettl, the state's role vis-à-vis the international system was "invariant," reinforcing stateness even when domestic institutions denied it. 3 Three decades later the international arena is viewed very differently. The collapse of the old bipolar world has diminished the power of state-centric political and military rivalries to dominate international relations. Simultaneously, the growth of opportunities for transnational economic gains has laid the foundation for a new series of arguments about why states are anachronisms. According to these arguments, the intensified development of economic transactions that cross national boundaries has undermined the power of the state, leaving it marginalized as an economic actor. The arena that Nettl saw as securing stateness is now seen as transcending the power of the nation-state.

Changes in the global ideological climate are as crucial as new flows of money and goods, and Nettl's analysis does anticipate a key aspect of those changes. For Nettl, England was the "stateless society par excellence" and "an American sociopolitical self-examination simply leaves no room for any valid notion of the state." 4 Thus, the relative neglect of

1 Nettl (fn. 1) saw the international arena almost purely in realist terms, arguing that in the international arena the state was "the almost exclusive and acceptable locus of resource mobilization" (p. 563). In Nettl's view, "Here [in the international system] the state is the basic, irreducible unit, equivalent to the individual person in a society" (p. 563). Since the "international function is invariant," "even where the notion of the state is very weak, as in Britain and the United States, the effective extrasocietal or international role is not affected" (p. 564).

2 Nettl (fn. 1), 562, 561.
the concept of the state during the twenty-five years preceding his article was a logical consequence of the "shift of the center of gravity of social science to the United States." Today, the untrammeled hegemony of Anglo-American ideological premises is one of the most salient forces shaping the specific character of the current global economy, including the extent to which globalization is viewed as entailing the eclipse of the state.

In this environment pursuing Nettl's agenda requires a different starting point. Statelessness can no longer be treated simply as a feature of Anglo-American political culture. It must be dealt with as a dominant global ideology and potential institutional reality. Therefore, the question of whether the eclipse of the state is likely and, if so, what the consequences of such an institutional shift would be, takes precedence. The trick is to deal with the question of eclipse seriously without taking a positive answer for granted.

I will argue that while eclipse is a possibility, it is not a likely one. What the discourse of eclipse has done is to make responses to a genuine crisis of state capacity unrelentingly negative and defensive. The danger is that states will end up as marginal institutions but that meaner, more repressive ways of organizing the state's role will be accepted as the only way of avoiding the collapse of public institutions. Preoccupation with eclipse cripples consideration of positive possibilities for working to increase states' capacity so that they can more effectively meet the new demands that confront them. The goal should be to work back toward something closer to Nettl's original agenda of comparing different kinds of "stateness" and their consequences, this time with more explicit attention to the effects of globalization.

I begin by looking at the impact of globalization on stateness and arguing that the structural logic of globalization and the recent history of the global economy can then be read as providing rationales for "high stateness" as well as "low stateness." That I will argue that the absence of a clear logic connecting economic globalization to low stateness makes the normative and ideological side of the global order a key determinant of how globalization affects stateness. I will then move from globalization to a discussion of current theoretical perspectives on stateness, arguing that these perspectives are both sources of insight into the nature of the contemporary global order and influential shapers of the political and ideological face of that order. Finally, I conclude with a discussion of what this analysis implies for future forms of stateness.

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4 Daedalus 24 (Spring 1995).
7 Susan Strange, "The Defective State," Daedalus 124 (Spring 1995), 56.
8 Nettl (fn. 1), 591.
10 Nettl's formulation is quoted in fn. 3.

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ECLIPSE OF THE STATE?

GLOBALIZATION AND THE ROLE OF THE STATE

"Diminished," "defective," and "hollow" were typical adjectives applied to the contemporary state in a recent special issue of Daedalus. Globalization is not the only reason for the perception that "state authority has leaked away, upwards, sideways, and downwards" and in some matters "just evaporated," but it is a central one. The effects of globalization flow through two interconnected but distinct channels. The increasing weight and changing character of transnational economic relations over the course of the last three decades have created a new, more constraining context for state action. The political effect of these structural changes has been channeled by the growing global hegemony of Anglo-American ideology.

THE NEW GLOBAL POLITICAL ECONOMY

Nettl's concluding assertion that "[t]here remains only the one constant—the invariant development of stateness for each national actor in the international field" has been inverted. Now the presumed invariant is the international arena's negative effect on stateness. As wealth and power are increasingly generated by private transactions that take place across the borders of states rather than within them, it has become harder to sustain the image of states as the preeminent actors at the global level. No one questions that the traditional Waltzian logic of competing "national interests" continues to drive the "interstate system," but the muted great power struggles of the post–bipolar world leave international relations increasingly contaminated and often overshadowed by the private logic of the global economy. Nettl likened the international arena to a "society" in which states were the "people," but in the current global order the unique political status of states must be balanced against the fact that the most economically empowered "citizens" of the international arena are transnational corporations (TNCs).

The growing relative weight of transactions and organizational connections that cross national boundaries is the cornerstone of globalization. Exports and imports growing more than one and a half times faster than domestic transactions around the world and a doubling of the proportion of exports to GDP in the OECD countries are just the beginning. Foreign direct investment has been growing three times as fast as...
trade, and other sorts of transnational corporate connections (alliances, subcontracting, and so on) have probably been growing even faster.\textsuperscript{11}

The impact of both trade and investment is magnified by the changing character of trade. Rather than being an exchange of goods between domestic productive systems, trade is increasingly a flow of goods within production networks that are organized globally rather than nationally.\textsuperscript{12} Commodities are created through the integration of production processes performed in a multiplicity of national territories. Whether any given territory is included in global production networks or excluded from them depends on the decisions of private actors. States can try to make their territories attractive, but they cannot dictate the structure of global production networks.

In the classic realist world traditional military forms of statecraft were closely intertwined with possibilities for economic gain. Powerful economic actors were presumed to have an interest in the political and military capacities of "their" states, just as state managers had an interest in the capacities of "their" entrepreneurs. National economic prowess was the foundation of military (and therefore diplomatic) strength. Territorial expansion was a route to control over new productive assets. A world of global production networks makes the prospective economic gain from territorial conquest dubious, reducing the returns to realist statecraft. Access to capital and technology depends on strategic alliances with those who control global production networks, rather than on the control of any particular piece of territory. In a global economy where there is a surplus of labor, control over large amounts of territory and population can be more of a burden than an asset.

As long as private economic actors were dependent on the political environment provided by a particular state, it made sense for them to identify with the political successes and aspirations of that state. National aggrandizement held out the prospect of private profit; threats to sovereignty might also contain threats to profit. The operators of what Robert Reich calls "global webs"\textsuperscript{13} have much less reason to identify with nationalist territorial ambitions and anxieties. From the perspective of these networks, the interstate system as a whole is an essential piece of economic infrastructure and conflicts among states are a source of disruption and uncertainty.

Underlying the transnational mobility of capital and the construction of global production networks is a radically globalized financial system, whose operation poses a fundamental challenge to public authority in the economic realm. There has always been footloose capital and states have often depended on the cooperation of international financiers, but the changes that have taken place in the last two decades are quite extraordinary. When Nettl was writing, the fixed exchange rate system was still in effect and most major industrialized countries continued to exercise controls over capital flows. By the end of the 1980s, by contrast, capital controls had been dismantled and the value of currencies was left more to markets than to states.\textsuperscript{14} The effect of the new institutional framework was magnified by advances in communication and information systems.

Vincent Cable offers a succinct summary of the current disproportion between global financial markets and the economic leverage available to individual states: "Foreign exchange trading in the world's financial centers exceeds a trillion dollars a day... greater than the total stock of foreign exchange reserves held by all governments."\textsuperscript{15} The result is what Fred Block has called "the dictatorship of international financial markets." Any state that engages in policies deemed "unwise" by private financial traders will be punished as the value of its currency declines and its access to capital shrinks.\textsuperscript{16}

These processes of globalization certainly contribute to the perceived evaporation of state authority, but the connection is not as straightforward as it might first appear. The state is not eclipsed by the simple fact of its becoming more dependent on trade. Existing cross-national statistics suggest that greater reliance on trade is associated with an increased role for the state rather than a diminished one. Moreover, a


\textsuperscript{13} Reich (fn. 12).

\textsuperscript{14} See Fred Block, \textit{The Vampire State and Other Stories} (New York: New Press, 1996).


\textsuperscript{16} Block (fn. 14). See also Geoffrey Garrett, "Capital Mobility, Trade and the Domestic Politics of Economic Policy," \textit{International Organization} 49, no. 4 (1995). Garrett emphasizes the surprising extent to which European social democracies have been able to resist "the dictatorship of international financial markets," but he leaves no doubt that resistance imposes a growing price. For example, he concludes his study by saying: "[F]inancial markets have imposed significant interest rate premiums on the power of the left and organized labor; and these increased with the removal of barriers to cross-border capital flows. ... In time, one might speculate that no government would be able to bear this burden" (p. 683).
look at the nations that have been most economically successful over the last thirty years suggests that high stateness may even be a competitive advantage in a globalized economy.

Twenty years ago David Cameron noticed that the statistical relationship in advanced industrial economies between openness (as measured by the share of trade in GDP) and the size of government was positive rather than negative. The finding suggested a logic as plausible as that connecting globalization and eclipse. Higher trade shares increase a country's vulnerability to externally induced traumas; a larger public sector provides a protective counterweight. Peter Katzenstein's case studies of small European social democracies spelled out the institutional infrastructure underlying the operation of this logic.

These relationships are not simply artifacts of what is now referred to as "the golden age of capitalism" (roughly 1950–73). Recent analysis by Garrett, Kitchell et al., and others shows how the configuration of public institutions continues to shape the impact of globalization. Dani Rodrik has replicated and extended Cameron's statistical findings using contemporary data. Looking at data on OECD countries for the 1980s and the early 1990s, Rodrik found "a quite strong correlation among the OECD countries between government expenditures (as a share of GDP) and exposure to trade: countries that are more exposed to trade have bigger governments." Furthermore, when he extends the analysis to more than one hundred countries, most of them developing, he not only finds "a striking positive relationship between size of government (in this case government consumption) and exposure to trade" but also finds that "the degree of openness during the early 1960s is a very good predictor of the expansion of government over the subsequent three decades."22

A look at contrasting regional growth trajectories over the past thirty years suggests that high stateness may do more than simply insulate domestic populations from external traumas. It may actually be a source of competitive advantage in a globalizing economy. The dizzying growth of transnationally organized production may have been the leading economic headline of the thirty years since Nettl wrote, but the major competing headline has been the spectacular growth of East Asian economies. Few would now dispute that the growth of East Asia over the past fifty years represents a historic shift in the economic hierarchy of nations, one that could eventually prove to be a regional shift comparable to the rise of Northwestern Europe 250 years earlier. If the globalization headline provides grist for the argument that the state is on the wane, the East Asia headline has very different implications for the evolution of stateness.

In the years since Nettl wrote, East Asian states—from Korea in the North to Singapore in the South with the People's Republic of China in the middle—have used various strategies in which the state played a central role to effect dramatic changes in Asia's position in the international division of labor. Obviously the role of the state varies across these cases, but no one would argue that they are stateless societies. They offer a new variety of high stateness, quite different from Nettl's continental European model but perhaps more effective in economic terms.

East Asian successes force us to reexamine the idea that effective participation in a globalized economy is best achieved by restricting state involvement in economic affairs. They suggest that successful participation in global markets may be best achieved through more intense

20 Rodrik (fn. 21, 1996a), 32.
22 Rodrik (fn. 21, 1996a), 32.
state involvement. Singapore is the most obvious case in point. Singapore is not only a highly internationalized economy in terms of its extreme reliance on trade, but it is also exceptionally dependent for its local economic dynamism on foreign direct investment by transnational corporations. At the same time it is equally renowned for the capacity and power of its state bureaucracy.

This case, anomalous as it may be in terms of the conventional wisdom, underscores what should be logically obvious: small countries bargaining with large TNCs may do better if a competent, unified national agenda participates in the bargaining on the local side. There are many ways to make profits, some of them quite consistent with rising wages and high rates of local reinvestment. If a state can credibly promise an infrastructure consistent with such strategies, along with a predictable set of rules and competent rule makers with whom to dialogue, it is hardly surprising that there is no dearth of TNCs disposed to join the game.

East Asia demonstrates the possibility of a positive connection between high status (albeit not Nettis classic European variety) and success in a globalizing economy and puts historical meat on Cameron and Rodrik's regression results. If such a positive connection exists, then the currently pervasive belief that the institutional centrality of the state is incompatible with globalization must be explained in terms of the ideological face of the current global order.

IDEOLOGY AND INTERESTS IN THE GLOBAL ORDER

In any international regime, norms, formal rules, and shared assumptions are as important in shaping the role of the state as the flows of goods and capital. John Ruggie made the point impeccably fifteen years ago in his explication of how the global political economy of the golden age came to be characterized by "embedded liberalism." Liberalism, in the sense of relatively unrestricted freedom for global capital, was


28 See, for example, Peter Evans, "Declining Hegemony and Assertive Industrialization: U.S.-Brazilian Conflict in the Computer Industry," International Organization 43 (Spring 1989).
The effect of global ideological consensus (sometimes aptly labeled the "Washington consensus") on individual states goes well beyond the constraints imposed by any structural logic of the international economy. The fact that becoming more actively engaged in trying to improve local economic conditions risks the opprobrium, not just of powerful private actors, but also of the global hegemon makes any state intervention a very risky proposition. An ideology that considers such action neither possible nor desirable does, however, at least release the local state from responsibility for whatever economic woes its citizenry may suffer at the hands of the global economy. Even richer states, with more highly developed institutional capacities for insulating their populations from economic uncertainty, are under the same pressure. They are more likely to resist and indeed have done so, but given the asymmetries of international power, it is hard for any individual state to shift the balance.

The current order fits the ideological proclivities of both the only remaining superpower and the private firms that dominate the global economy. The question is whether it speaks effectively to their interests. If an economically stateless world could deliver in practice a global equilibrium that met the needs of TNCs, then eclipse might indeed be in the offing. In fact, transnational investors trying to integrate operations across a shifting variety of national contexts need competent, predictable public sector counterparts even more than do old-fashioned domestic investors who can concentrate their time and energy on building relations with a particular individual government apparatus.

The same argument applies even more strongly to global financial capital. The "dictatorship of international finance" is really closer to a mutual hostage situation. The operation of the international financial system would descend quickly into chaos without responsible fiscal and monetary policies on the part of international actors. Financial markets can easily punish deviant states, but in the long run their returns depend on the existence of an interstate system in which the principal national economies are under the control of competent and "responsible" state actors. Those who sit astride the international financial system need capable regulators. The lightning speed at which transactions of great magnitude can be completed makes for great allocational efficiency in theory, but it also makes for great volatility in practice. "Rogue traders" are (as the name implies) supposed to be aberrations; yet the possibility of enormous returns from speculative activity makes the rogue role a continual temptation. After a certain point, reducing the power of states to interfere increases collective exposure to risk more than it expands the possibilities for individual profits.

The fact that private transnational actors need competent, capable states more than their own ideology admits does not eliminate the possibility of eclipse. The calculations of even sophisticated managers are biased by their own worldviews. Bent on maximizing its room for maneuver, transnational capital could easily become an accomplice in the destruction of the infrastructure of public institutions on which its profits depend. Up to a point, conferring the ability of states to intervene in global markets may produce increased profits. By the time state capacity is so reduced that the unpredictability of the business environment becomes intolerable, even to major actors who have wide latitude in choosing where to do business, reconstructing public authority could be a long and painful process, even an impossible one.

The complicated interactions that connect the global order and domestic politics make miscalculation more likely. Accepting the prevailing global ideology constrains the ability of governments to protect ordinary citizens, especially those who bear the costs of shifts in the configuration of international production networks. Whether it is the Bolivian state cutting domestic expenditures for health and education in order to remain in conformity with the latest restructuring plan or the Clinton administration pushing through NAFTA in order to demonstrate its full faith in the free international movement of goods and capital, the perception of those who lack privileged positions vis-à-vis international markets is likely to be the same. The state is perceived, not as the ultimate representative of national interests, but instead as the instrument of dimly understood but somehow "foreign" interests. Should transnational managers decide that it were in their interest to foster the reconstruction of state capacity, they would have to overcome accumulated political alienation, as well as reverse institutional atrophy. If eclipse does occur, it will not be the inexorable result of any ironclad structural logic. The economic logic of globalization does not in it-

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29 Cf. Garrett (fn. 16); Kitchelt al. (fn. 20).
31 See Block (fn. 14).
32 In the Third World there is, of course, a long-standing tradition of seeing the state in these terms, that is, as a "tool of imperialism." In the United States a lively folk tradition is rapidly developing along analogous lines. As nonsensical as fears of "black helicopters" and visions of the U.S. government as a pawn of the UN may be, this folk mythology does reflect an underlying sense that U.S. administrations are more responsive to transnational actors than to domestic pressure from below.
self dictate eclipse. While globalization does make it harder for states to exercise economic initiative, it also increases both the potential returns from effective state action and the costs of incompetence. Only when viewed through the peculiar prism of our current global ideological order does globalization logically entail movement toward statelessness. This global ideological order grows, in turn, as much out of the prejudices and ideologies of dominant global actors as out of any logic of interests. Given the degree to which political effects of global economic change are mediated by superimposed interpretative frames, contemporary theoretical perspectives on the state become consequential, not just for the insights they offer, but also because of their potential impact on policy.

NEW PERSPECTIVES ON THE STATE

Nettl helped spark a continuing, many-stranded debate on the nature and role of the state. Some of the strands consisted of efforts to demonstrate why variations in stateness must be a central element in political and economic analysis. They revitalized and refined pre-Nettl perspectives, like those of Weber, Hintze, and Gerschenkron, and added new arguments to them. Other strands jibed better with the normative and ideological side of the emerging global order. The flourishing of neoclassical political economy and the renewed fascination with civil society are two of the best examples. The logic of each is quite independent of arguments about globalization, yet both resonated well with a global order built on Anglo-American visions of statelessness. These politically successful formulations must, however, be considered together with less public salient counterposing arguments that raise new reasons for the continuing importance of stateness. Once this is done, the weight of new perspectives on the state lies as much on the side of persistent stateness as on the side of eclipse.

NEW ECONOMIC PERSPECTIVES

Of the many strands of thinking on the state that have emerged in the thirty years since Nettl wrote, none has been more thoroughly incorporated into the public political debate than the "neocultural" version of neoclassical political economy. While this line of reasoning was quite independent of arguments for the historical inevitability of eclipse based on the supposed exigencies of globalization, it reinforced them, suggesting that eclipse might be not only inevitable but also desirable.

During the "golden age" most economists were willing to treat the state as a black box. Economics was a source of prescriptions for policies that would best promote economic growth, but it was not prominent as a tool for the institutional analysis of the state itself. As capitalist growth began to look more problematic in the mid-1970s, this changed. Ironically, the weak performance of market economies in the 1970s and 1980s in those countries where state involvement was least extensive (that is, Britain and the United States) was advanced as evidence of excessive public power over the economy.35

Concern with optimizing state policies continued but it was joined by efforts to analyze the institutional mechanisms that underlay "bad" policies (that is, those that did not jibe with economic prescriptions). Analysts of "rent seeking" conceptualized policy-making as an exchange: in return for political and material support, state bureaucrats produced rules that enabled private economic actors to reap unproductive rents. States expanded, not because of increased demand for collective goods, but because of self-seeking bureaucrats. Rent seeking took what had been traditionally seen as aberrant, corrupt practices and transformed them into the core of the political economy of public institutions. In this framework approaches like Nettl's, in which the establishment and the maintenance of norms were preeminent among the state's outputs, did not make sense.

Reconceptualizing the state as a vehicle for rent seeking made it much easier to characterize state intervention as intrinsically pathological. Older arguments about the inefficiencies of bureaucracy and the impossibility of gathering sufficient information to make good policy were trumped by this reinvigorated neoclassical political economy. If the negative effects of state policies were a logical consequence of the nature of public institutions, then better information, more competent officials, and more knowledgeable advisers were not remedies. The only rational strategies for alleviating the problem were then either reducing the resources allocated by these perversive institutions to an absolute

33 For a review of early efforts in this direction, see Peter Evans, Dietrich Reuschenevery, and Theda Skocpol, eds., Bringing the State Back In (New York: Cambridge University Press, 1985), especially the initial essay by Skocpol.
34 See discussion in Evans (fn. 23), chap. 2.
minimum or somehow "marketizing" the administrative structure itself, replacing reliance on norms of public service with the hard constraints of market-like incentive systems.

Keynesian arguments in favor of state intervention were rejected as outdated. Using taxes to channel some of society's collective output into public endeavors was equated with the "old practice of bleeding a patient with leeches in order to make the patient healthy." The grudging acceptance of using the state as a means of ameliorating the lot of those disadvantaged by market outcomes, which had prevailed during the golden age, was supplanted by the firm conviction that as surely as private greed produced public good through the market, public welfare efforts only served to stunt the economic virtues of its recipients. Private economic power, constrained as little as possible by the distorting hand of public policy, was once again touted as the best protector of the public good, and the ideology of statelessness took on a harder, more aggressive edge.

Neotutilitarian models did provide an elegant way of explaining the corruption and venality that are undeniable facets of most public bureaucracies. As explanations of such pathologies, perspectives that focus on rent seeking are very useful. If, however, they crowd out all other interpretations of public behavior, leaving public authority a synonym for rent seeking and venality, they run the danger of becoming a self-fulfilling prophecy. To the extent that the prevalence of neotuitarian views strips a career in public service of prestige and legitimates removing the resources public agencies need to deliver real services to constituents, rent seeking becomes indeed the only reasonable motivation for joining the public sector. Once norms and traditions of public service have been destroyed, reestablishing them on a piecemeal basis is an overwhelming task.

While neoclassical political economy was easily assimilated into policy analysis, other innovations, with more fundamental implications for economic theories of production and exchange, were harder to incorporate. The "new growth theory," which provided more elegant ways of formally endogenizing technological change and brought the idea of increasing returns back into the center of economic debates, could easily be read as legitimating an expanded role for the state, but was nonetheless extremely difficult to translate into policy prescriptions. Admitting the possibility of increasing returns also required accepting the fact that the evolution of markets and competition was often highly path dependent and consequently characterized by multiple equilibria. This in turn made it harder to argue that unfettered markets could be counted on to automatically maximize efficiency (or welfare) but did not necessarily point to strategies that could improve on market outcomes.

The consequences of this vision of economic growth are magnified by the fact that an increasing number of products—from software to media images—are more ideas than things. Since the cost of reproducing an idea is essentially zero, returns increase indefinitely with the scope of the market. In an economy of "ideas" subject to increasing returns rather than "things" subject to decreasing ones, the distribution of income and profits is essentially dependent on appropriability. The magnitude of returns to an idea does not flow from a logic of marginal production costs in a meaningful sense of the term, but it does depend on authoritative decisions, like the determination of the duration of copyright and patent protection and the intellectual property regime more generally.

As an economy produces more ideas, authoritative enforcement of property rights becomes both more difficult and more critical to profitability. In a global economy this requires an active, competent state that is able to secure the compliance of other states with its rules. In short, the most privileged economic actors in a global information economy (that is, global companies like Disney or Microsoft whose assets take the form of ideas) do not need weaker states; they need stronger ones, or at least states that are more sophisticated and active enforcers than the traditional "night watchman state."

The growing centrality of struggles over appropriability is evident from the global economic policies of the United States over the course of the last two decades. From "super 301s" to GATT negotiations to threatened cancellation of China's most-favored-nation status because of software piracy, the question of intellectual property rights has become a key facet of U.S. international economic policy. While other

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37 Speech by Senator Kyl in the Senate, January 20, 1995, quoted in Fred Block (fn. 14).
39 For example, in the view of Garrett (fn. 16), "New Growth Theory contends that active government involvement in the economy (for example, public spending on education, physical infrastructure, and research and development) may actually increase productivity and hence competitiveness by providing collective goods that are undersupplied by the market" (p. 658). Others, like Paul Krugman, would argue that government efforts to exploit the theoretical possibilities revealed by the new growth theory are likely to do more harm than good; see, for example, Krugman, *Peddling Prosperity: Economic Sense and Nonsense in the Age of Diminished Expectations* (New York: W. W. Norton, 1995). Nonetheless, even Krugman would not deny that new theoretical possibilities have been opened up.
forms of regulation are in disrepute, this particular kind of policing is now treated as one of the cornerstones of economic civilization.

Intellectual property rights are a specific instance of a general point. In the complex exchange of novel intangibles, authoritative normative structures, which are provided in large measure by the state, become the keystones of efficient exchange. The new institutional economics, with its emphasis on the necessity of governance structures and the pervasive importance of institutional frameworks to any kind of economic transactions, further generalizes the argument that efficient markets can exist only in the context of effective and robust nonmarket institutions.41

Neoclassical political economy offers a good rationale for eclipse, but a broader look at the evolution of economic theorizing reinforces the conclusions that flowed from our earlier examination of globalization itself. Powerful transnational economic actors may have an interest in limiting the state’s ability to constrain their own activities but they also depend on a capable state to protect their returns, especially those from intangible assets. In this optic, the persistence of the state’s institutional centrality looks more likely than eclipse.

CIVIL SOCIETY AND THE STATE

The conviction that allocational efficiency can be achieved independently of public control creates only a partial ideological frame at best. Neither idealized visions of individuals interrelating by means of bilateral voluntary exchanges nor the actual experience of capitalist markets relieves basic anxieties about the maintenance of public order or assurances nostalgia for the satisfactions of traditional community ties. New perspectives on governance that highlighted the potential role of civil society provided a nice complement to the economic side of Anglo-American ideology.42 Even though they were not global perspectives in themselves, they fit with the new global order. The political triumph of the stateless Anglo-American world order, as reflected in the implosion of state-socialist societies, was an important impetus to the charisma of civil society. The revitalization of civil society was portrayed, at least by conservatives, as a solution to the social and political side of public well-being, one that could make the state politically obsolete, just as global markets made the state economically obsolete.

To fit with the prevailing global order, a focus on civil society had to repress the possibility that social and political malaise might flow from the pervasive marketization of social relations instead of from the overbearing intrusion of the state. This, of course, was precisely what conservative interpreters did. Rather than seeing the unchallenged dominion of market relations as the primary obstacle to a revitalization of traditional community ties, they saw the intrusive efforts of the state, ostensibly aimed at enhancing welfare, as “crowding out” community.43 Just as neoclassical political economy negated the state’s role in the development of a more productive and efficient society, the growing charisma of civil society (and other more parochial and exclusionary forms of community) negated the state’s ability to speak to nonmarket needs.44

In many cases, the vision of an engaged, organized citizenry unseating oppressive state elites fit the historical facts. The oppositional movements that helped bring down moribund state-socialist apparatuses in Eastern Europe were a prime example. The process of replacing authoritarian military regimes with electoral democracies in Latin America produced a similar surge of civil society as a counterweight to the Leviathan of state power. Even in these cases, however, the idea that civil society could provide a substitute for the organized public institutions of the state proved unrealistically optimistic. In both Eastern Europe and Latin America, the reinvigoration of civil society proved harder to sustain once the unifying focus of opposition to authoritarian rule was dissipated by political success. Even these cases called for a more complex theory of state-society relations.

Here again, as in the case of economic theorizing, a closer look at contemporary thinking on civil society reveals much that is at odds with the global order’s assumption that fostering civil society requires accelerating the eclipse of the state. The proposition of a zero-sum relation between the robustness of state institutions and the vibrancy of civil society is contested even by some of those most convinced of the indispensability of civic associations. A growing body of work suggests


44 Civil society was, of course, the most universalistic basis for organizing communities. Exclusionary ethnic and religious categories represented potent alternative bases for redefining the nation and reconstituting the footing of public authority. While Nettl did not anticipate the upsurge of neoclassical political economy, he did see (in 1) the “mapping of the link between state and nation” (p. 560) as a reason for projecting a general decline in stateness, especially in the developing world.
that relations between the state and civil society are more productively thought of in terms of mutual empowerment or synergy. Robert Putnam's brief polemic with Joel Migdal provides a good starting point. Based on his reading of the relationship between "social capital" and the efficacy of regional governments in Italy, Putnam takes issue with Migdal's work, which seems to suggest that strong societies result in weak states and that one of the necessary conditions for the emergence of strong states is a "massive societal dislocation, which severely weakens social control."

Not so, argues Putnam, "civic associations are powerfully associated with effective public institutions ... strong society, strong state." What Putnam's perspective suggests is that just as modern markets depend on economic decisions being nested in a predictable institutional framework, likewise civic engagement flourishes more easily among private citizens and organized groups when they have a competent public sector as an interlocutor.

Others have drawn the same lesson from very different contexts. Looking at Africa, the region in which the disintegration of both state organizations and civil society has been most dramatic, Naomi Chazan argues for a "symbiotic relationship between state and civil society." During the crisis of the 1970s and 1980s "both state agencies and social networks experienced a process of implosion." Conversely, where there has been recovery from the crisis, the "reemergence of intermediate social groups" has "come together with the definition and reassertion of state capacities, highlighting the close connection between civil society and stateness."

Vivienne Shue, looking at what might be con-

sidered the polar opposite case—the People's Republic of China—finds a similar kind of mutual empowerment of state and society. The vicissitudes of state-society relations under communist and postcommunist rule demonstrate, she says, "an intriguing relationship ... between the emergence of a robust sphere of civil associational life, on the one hand, and the consolidation of social power in a relatively strong or resilient state organization, on the other."

Examining what he calls "the browning of Latin America" over the course of the 1980s, Guillermo O'Donnell sets out the converse argument in a way that is consonant with the mutual empowerment hypothesis of Chazan and Shue. First, he points out that "current attempts at reducing the size and deficits of the state as bureaucracy ... are also destroying the state-as-law and the ideological legitimation of the state." He then argues that the crisis of the state leads to a degeneration of civil society in which community organization and civic engagement are replaced by an "angry atomization."

These broad arguments that the fate of civil society is linked to the ability of the public sector to sustain itself have interesting counterparts at the microlevel. Studies scattered throughout the developing world find evidence for "state-society synergy." Effective development projects at the microlevel often involve state agencies working in combination with local social groups. The possibility of coproduction, in which state agencies and local communities work together to produce a needed service or collective good, is associated in turn with state apparatuses that have sufficient esprit de corps and bureaucratic sophistication to move beyond mechanically imposing the simplest possible set of centralized rules. The archetypal case in point is Taiwan's irrigation associations, which are built around a subtle melding of centralized bureaucratic decision making and real involvement of local villagers, including substantial community control over the process of local water allocation.

States with weaker bureaucracies are incapable of sustain-

—SEE SHUE, "STATE POWER AND SOCIAL ORGANIZATION IN CHINA" IN MIGDAL, KOHL, AND SHUE (FN. 47), 66.

O'Donnell, "ON THE STATE, DEMOCRATIZATION AND SOME CONCEPTUAL PROBLEMS: A LATIN AMERICAN VIEW WITH GLANCES AT SOME POSTCOMMUNIST COUNTRIES," WORLD DEVELOPMENT 21, NO. 8 (1993). O'Donnell uses the term "browning" to refer to "territorial evaporation of the public dimension of the state" (p. 1358), that is, the spread of areas in which both effective bureaucracies and "properly sanctioned legality" (p. 1359) are lacking.

O'Donnell (fn. 51), 1358.

Ibid., 1365.

SEE ARTICLES BY BURAWOY, EVANS, FOX, HELLER, LAM, AND Ostrom IN THE SPECIAL SECTION ON "GOVERNMENT ACTION, SOCIAL CAPITAL AND DEVELOPMENT," WORLD DEVELOPMENT 24 (JUNE 1996); AND ALSO JUDITH TENDLER, GOOD GOVERNMENT IN THE TROPICS (BALTIMORE: JOHNS HOPKINS UNIVERSITY PRESS, 1997).

ing the kind of locally oriented bureaucratic competence that makes co-
production possible.56

The evidence for positive-sum relations between the effectiveness of
civic associations and state capacity is not limited to the Third World.
Even in the stateless United States, there are interesting historical examples
of state-society synergy. In examining the founding of the Children's Bureau, one of the most successful early developments in the U.S.
welfare state, Skocpol shows how a broad spectrum of geographi-
cally dispersed women's voluntary associations were critical to this
"statebuilding for women and children."57 She also notes the parallels
between this "maternalist" effort and the relationship between volun-
tary associations of farmers and the U.S. Department of Agriculture,
another example of state-society synergy generating widespread social
and economic change.58

If this work is right, a sustained efflorescence of civil society may well
depend on the simultaneous construction of robust, competent organi-
zational counterparts within the state. Conversely, a state-society syn-
ergy view implies that a move toward less capable and involved states
will make it more difficult for civic associations to achieve their goals
and will thereby diminish incentives for civic engagement. In the most
extreme case, the result would be a globalized version of O'Donnell's
"browning."59 Once again, a closer examination of recent theoretical
perspectives, political this time rather than economic, suggests an in-
terest, not in eclipse, but in the maintenance or expansion of state ca-
pacity. In this case, however, it is the interests of ordinary members of
civil society that are at play rather than those of transnational elites.

THE FUTURE OF STATENESS

Newer political perspectives, like those in economics, contain as many
arguments in favor of strengthening state capacities as in favor of
eclipse. Analysis of these perspectives produces results that paralleled
those drawn from the analysis of globalization itself. Together, these
arguments lead us to expect states to play a persistent role in the future of

56 See Ostrom's (fn. 54) discussion of Nigeria.
57 Theda Skocpol, Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United
58 Ibid., 486. See also Theda Skocpol and Kenneth Fingold, "State Capacity and Economic Inter-
vention in the Early New Deal," Political Science Quarterly 97 (Summer 1982). For a recent reprize
of Skocpol's perspective, see Skocpol, "Unravelling from Above," American Prospect 25 (March-April
1996).
59 O'Donnell (fn. 51).
60 Rodrik (fn. 21, 1996a), 2-3.
61 Nettl (fn. 1), 541.
must be added the problem that the nonstate actors most powerful in defining the global normative order are private corporate elites whose view of where the pendulum belongs is colored by their irreducible interest in protecting private managerial prerogatives. Generating a set of global norms that will encourage the search for ways to reduce demands on public institutions but also support the necessary enhancement of state capacity will require substantial ideological revisionism.

Grounds for expecting such a shift are scanty, but there are some. The shifting balance of economic dynamism in the interstate system is a possible source of revisionism. So far, the implications of East Asia's extraordinary economic success for the kind of stateness that is most effective in a globalized economy have found surprisingly little place in official discourse. Official (as opposed to academic) analysis has been remarkably obdurate in its suppression of the revisionist implications of East Asia's experience.62 Nonetheless, the eventual assimilation of distinctively East Asian experiences of stateness into global discourse on the state seems inevitable.63 Any movement in this direction would attenuate the current bias toward eclipse.

The increasing reluctance of the United States to shoulder, as hegemon, the burden of delivering what others perceive to be valuable global collective goods may also serve as an impetus for ideological change. Susan Strange, for example, argues that current asymmetries of interstate power have created a situation in which "the most powerful are able to block, even veto, any exercise of authority in global issues of the environment, of financial regulation, or of the universal provision of basic needs for food, shelter and health care." 64 She then presses further, saying that "the only way to remove the present hegemonic, do-nothing veto on better global governance is to build, bit by bit, a compelling opposition based on European-Japanese cooperation but embracing Latin Americans, Asians and Africans who share some of the same interests and concerns for the future."65 However remote the prospects for this kind of collective action, Strange’s argument does identify another potential impetus for ideological shift.66

These relatively implausible fonts of ideological change are likely to have consequences only insofar as they help to further undercut the already ambivalent relation of transnational business to any project of eclipse. Much as TNCs value the elimination of the ability of states to restrict their managerial prerogatives, they also recognize the benefits of dealing with robust and capable public interlocutors. They have an interest in keeping state managers on the defensive—something that escalating rhetoric on the inevitability and desirability of eclipse accomplishes nicely. But they also have an interest in avoiding the real institutional marginalization of the state. This above all else makes a return of the pendulum likely.

The main problem with a return-of-the-pendulum perspective is that it is easily conflated with a return to "embedded liberalism." Even if a return of the pendulum is more likely than eclipse, the threat of eclipse still shapes stateness. What the current global ideological environment does is to ensure that responses to a genuine crisis of capacity will be defensive. Strategies aimed at increasing state capacity in order to meet rising demand for collective goods and social protection look foolish in an ideological climate that resolutely denies the state’s potential contribution to the general welfare. Beleaguered state managers and political leaders, bent on trying to preserve the state as an institution (and their own positions), may come up with some innovative organizational improvements and some salutary ways of reducing the scope of what states attempt, but their primary strategy is likely to be reneging on the old commitment to embedded liberalism. The problem of closing the capacity gap is redefined as a project of constructing a leaner, meaner kind of stateness.

In the most sinister version of this leaner, meaner stateness, politicians and state managers gain support for the state as an institution in return for restricting the state’s role to activities essential for sustaining the profitability of transnational markets. The capacity to deliver services that the affluent can supply privately for themselves (for example, health and education) is sacrificed, while the more restricted institutional capacity necessary to deliver essential business services and secure...
rity (domestic and global) is maintained. In turn, delivering security means devoting more resources to the repression of the more desperate and reckless among the excluded, both domestic and international.

Rescuing embedded liberalism would require a very different configuration of state-society relations and a correspondingly different kind of stateness, one founded on relations of mutual empowerment between state institutions and a broadly organized civil society of the kind suggested by Chazan and her colleagues. Engaging the energy and imagination of citizens and communities in the coproduction of services is a way of enhancing the state’s ability to deliver services without having to demand more scarce material resources from society. The increased social approbation that comes with more effective, responsive service then becomes an important intangible reward for those who work within the state. Since such a strategy simultaneously rewards the reinvigoration of civil society, thereby augmenting the reservoir of potential participants in coproduction, it is almost certainly subject to increasing returns. Like the returns to the development of bureaucratic forms of organization in an earlier era, the returns to more innovative forms of stateness based on state-society synergy could be prodigious.

Unfortunately, the movement toward eclipse has already made this kind of institutional development unlikely. The kind of capacity necessary to make the state a dependable partner in a strategy of state-society synergy is already in scarce supply. Civic groups are correspondingly less likely to be attracted to strategies of mutual empowerment that involve state agencies. Legitimate disillusionment with the state’s capacity to deliver, exacerbated by the pervasive antistate discourse of the Anglo-American global order, has solidified into a domestic political climate that makes engaging the state as an ally seem farfetched. Finally, and perhaps most important, private elites are likely to see a political threat in any form of state-society synergy that involves subordinate groups.

The political prospects of state-society synergy are slim, but they should not be discounted altogether. For beleaguered state managers or politicians disenchanted with leaner, meaner stateness, the political attractions of a strategy of state-society synergy are obvious. It promises a way out of the currently asphyxiating capacity gap. It also promises to generate a set of allies potentially much less ambivalent about the value of public institutions than are the business elites who constitute the principal political pillar of the leaner, meaner state. The logic is equally powerful from the point of view of civic organizations. Leaner, meaner will do little for them. They need capable state organizations to put their policy preferences into practice even more than TNCs need states to guarantee the global business climate. Leaner, meaner is still more likely, but the possibility that state apparatuses might forge new alliances with civic actors in the early decades of the new millennium is no less implausible than the alliances that were actually forged between labor organizations and the state during the early decades of the twentieth century.

Probing beneath the rhetoric of globalization and eclipse reveals a problematic quite consistent with Nettl’s original admonitions. Projecting the institutional evaporation of the state provides little more illumination than ignoring it altogether. Preoccupation with eclipse distracts attention from serious ongoing shifts in the nature of stateness. It also inhibits exploration of more promising forms of stateness. Becoming mesmerized by the power of globalized production and exchange is equally counterproductive. Whether the future unfolds in the probable direction of a leaner, meaner state or embodies more unlikely elements of state-society synergy does not depend on the economic logic of globalization alone. It also depends on how people think about stateness.