

Neoliberalisation and Place: Deconstructing and Reconstructing Borders

Philip G. Cerny

Professor of Global Political Economy
Division of Global Affairs
Rutgers University – Newark
123 Washington Street, Suite 510
Newark, New Jersey 07102-3094, USA
email: pgcerny@rutgers.edu

*[Address for correspondence 17.05.07-19.08.07:
31 Russell Street
York YO23 1NN
United Kingdom
Home phone: +44 1904 651478
Mobile phone: +44 771 289 5153]*

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ABSTRACT

Politics and society have always involved the interaction of two sorts of boundaries: ‘vertical’ ones between geographically delimited territories; and ‘horizontal’ ones between the crosscutting functions (tasks, roles and activities) characterising human life. In this context, the widely received view of the nation-state as the fundamental building block of world politics has always represented – or misrepresented – what has been in fact a problematic, uneven, unfinished *political project*, aimed at shoehorning the horizontal into the vertical. This process was always difficult and often counterproductive, borders are increasingly transgressed and the world is becoming an ever more complex and interdependent space. Late 20th and 21st century globalisation has exacerbated existing strains on the nation-state ‘container’ and created new ones, leading to the rapid increase in significance of functional differentiation, extended sectoral organisations, and transnational issue areas and policy domains, which increasingly are coming to constitute the new ‘borders’ of world politics, cutting across the old. Neoliberalism, in turn, provides a flexible, fungible ideology for political actors to adopt and adapt in order to shape and reshape the 21st century world. Neoliberalism has thus become hegemonic, but in the process of neoliberalisation, the phenomenon has itself become more complex, leading to the emergence of new varieties of neoliberalism – including social neoliberalism – while deconstructing and reconstructing borders and redefining spatiality.

Keywords

Boundaries; functional differentiation; issue areas/policy domains; globalisation; neoliberalism/neoliberalisation.

3.1. Introduction: Vertical and Horizontal Borderings

Politics and society have been seen ever since Plato's *Republic* as involving two kinds of bordering and structural differentiation. The first, 'vertical' dimension is one of place, of situating and rooting political systems and communities in particular *physical* or *territorial* locations. These 'hard' geographical places provide the material conditions for the development of the face-to-face contacts, knowledge-sharing networks, resource agglomerations and organisational synergies necessary for effective collective action. The second, 'horizontal' dimension is one of *social stratification* or *functional differentiation*, of evolving and rooting that collective life in a division of labour and function among different human tasks, roles and activities. Although often thought of as 'soft' or 'virtual' spaces, the latter define the boundaries of human life at least as much as, or more than, hard geographical spaces; they are complex and multidimensional, reflecting the myriad dimensions of politics, economy and society more closely than mere geography.

Through most of human history political actors have sought, whether for political, economic and/or socio-cultural reasons, to fuse these two distinct kinds of bordering within the same organisational unit – the *politeia* or political community, whether that be at village, regional, city-state, nation-state or imperial level. Nevertheless, deep tensions between these two distinct forms of differentiation (and cooperation) have always been a source of political instability, economic inefficiency, organisational disorder and social conflict. The process of globalisation is causing people to reconstruct the relationships between these two sorts of borders as they have developed in the modern world in fundamental ways. Historically, those tensions have increased the larger the physical scale of the territorial unit involved and the more complex the economic and political life that was meant to be contained within that unit. Looser, more diffuse forms of extended political organisation such as traditional empires and feudal systems suffered from both local and external centrifugal forces pulling them apart, whereas more localised, city-state type units could not benefit from the military and economic economies of scale and scope potentially available to larger units. However, over the past three-and-a-half centuries – a developmental trend usually dated to the Peace of Westphalia of 1648 – political actors have laboured to bring about that fusion at the level of the nation-state, while relations among nation-states have been seen as a distinct 'level of analysis', the international system.

The role of nation-states has always been analytically and politically problematic. The modern nation-state has been a political project rather than a *fait accompli*. It has continually been manipulated, undermined and reshaped politically, economically and culturally – both by formal and informal empires (Subrahmanyam 2006) as well as by what Joel Kotkin calls 'global tribes' (Jews; Anglo-Saxons and Scots; Overseas Chinese, etc.: Kotkin 1992) from above, on the one hand, and, of course, by class, ethnic and political divisions from below, on the other. But today's challenge is not merely one of degree; it is one of kind. The particular form of organisational fusion that has constituted the modern state is increasingly cut across and challenged *systematically* from both above and below by the uneven process called 'globalisation'. Out of globalisation has come a new, *post-nation-state* political project of complex, flexible, multi-level fusion – neoliberalism.

This chapter will attempt, through broad historical and analytical brush-strokes, to outline some of the main features of this process of historical change. The next section considers relevant aspects of the history of the modern nation-state and states system, emphasising just how contingent and problematic that development has been – but also marvelling in its relative success. Several key variables will be identified that enabled political actors to generate what the late French social philosopher Michel Foucault called ‘governmentality’ at the level of the nation-state and the states system (Burchell *et al.* 1991; Cerny 2007; Foucault 2004a; cf. Herman 2001). The third and fourth sections focus on the tensions that were already immanent in that political construct and the seeds of decay that are leading to its at least partial deconstruction. The fifth and sixth sections deal with the complex question of where and how a range of cross-cutting boundaries might be drawn in a more complex global political economy – i.e. whether a new project of fusion is actually under way and along what lines. In this context, the final section argues that the *neoliberalisation* of place and spatiality is a key organising principle of the emerging world of multi-level governance and multi-nodal politics that is coming to characterise the 21st century.

3.2. Embedding the Nation-state and the States System

World politics has over the past few centuries been predominantly portrayed as a schizophrenic phenomenon, rooted in the entrenching of social, economic and political structures and processes in a particular dualistic organisation of space – that complex, fungible entity called the nation-state. The concept of ‘nation-state’ is, of course, an uneasy marriage between two equally problematic concepts: the ‘nation’, denoting a supposedly socially coherent, large scale, solidaristic, territorially defined social whole; and the ‘state’, denoting a supposedly organisationally coherent, quasi-hierarchical, relatively efficient system for collective action, collective decisionmaking and policy implementation.

The rise of the modern nation-state since the 17th century, and the emergence of ‘international relations’ as a system of relations among sovereign states, have meant that politics, economics and society have been bifurcated between two levels of analysis with distinctly different characteristics – an ‘inside’ and an ‘outside’. The ‘inside’ is seen as relatively civilised (or civilisable), characterised by some as ‘hierarchical’ and by others as an arena for the pursuit of collective action and collective values such as liberty and social justice. The ‘outside’, in contrast, is seen as either an ungoverned semi-wilderness characterised as ‘anarchical’ and ruled entirely by power balances and imbalances among states mainly constructed through war (Waltz 1959, 1979) or as a quite different sort of society, a semi-governed but often fragile ‘society of states’ (Buzan 2004). The nature and dynamics of the interaction between (a) domestic political systems seen as ‘arenas of collective action’ and (b) inter-state relations as involving the capacity of states to make ‘credible commitments’ to other states (seen as ‘unit actors’) constitute the central paradox. These two levels are seen as fundamentally dissimilar and even mutually contradictory or schizophrenic, both normatively and empirically – and yet they are inextricably intertwined and interdependent in terms of the structuring of the modern world (Hollis and Smith 1990).

This conceptualisation of world politics is only credible because the *actors* who have created, consolidated and built upon the nation-state have seen – and constructed – the nation-state itself as a crucial, Janus-like structural axis of this dualistic, schizophrenic system. Political actors are thus compelled by the system’s structural imperatives to be concerned at one and the same time with pursuing projects of political, social and economic improvement at home – what Michel Foucault has called ‘biopolitics’ (Foucault 2004b) – while also paying attention, first and foremost, to constructing and defending the structural ‘bottom line’ of sovereignty – i.e. securing and defending the homeland from external threats. In this latter task, they must be willing and able to put survival of the nation-state first and to be ruthless in confronting external enemies, even when this apparently contradicts and undermines the domestic political and social goals and values they would otherwise swear by.

The underlying pseudo-material foundation of this schizophrenic political balancing act – a balancing act which is, I would argue, a key part of the *art* of Foucault’s concept of governmentality’ – is territoriality, or what Bob Jessop and Neil Brenner have called the ‘spatio-temporal fix’ (see Cerny 2006a). Without relatively fixed territorial borders – boundaries or ‘containers’ (see Brenner, *et al.* 2003) that simultaneously enclose and order a range of fundamentally disparate human activities – the modern world could not exist. Village and tribal societies were too small to have such formalised and defended boundaries, although the periphery of the village itself was certainly defended. Nevertheless, especially in hunter-gatherer, slash-and-burn and nomadic societies, the space between villages was not the precise property of the particular society, but something between a dangerous no-man’s land and a quasi-heavenly open space belonging to the gods. It could be either good or evil, like Greek gods, but it was not *possessed*. In feudal, early trading and most pre-capitalist imperial societies, too, boundaries were both fluid and multi-level. They involved not rigid borders but shifting ‘frontiers’ where ‘civilisation’ met ‘barbarians’ and where different castes and noble ranks interacted in a continual confrontation-cum-bargaining process involving different rights and privileges in the same or overlapping territorial spaces (Cerny 1998).

Political power in the periphery of empires – the institutional form of choice in the pre-modern world – was uneasily managed through suzerainty rather than sovereignty, and the frontiers of suzerainty were eminently fungible the further one got from the ‘centre’. (A ‘suzerain’ is defined as ‘a sovereign or state having supremacy over another state which possesses its own ruler but cannot act as an independent power’ – *Oxford Shorter English Dictionary*, 1983.) Warlords, merchants, priests and bureaucrats coexisted uneasily, shifting allegiances when it suited them and when they could get away with it, and the latter serving whomever had the most power at the time, like the legendary Vicar of Bray. Political power on land was more like sea power, where despite claims that Rome or Britain might rule the waves, the vast mass of geographical space was without clear ownership or control – continuously contested but ultimately fluid.

Of course, the difference with the sea was that land-based political ‘centres’ could be controlled and organised through geographically fixed fortifications and social as well as physical habitats. Eventually the military and political power of these centres enabled them to spread their organisational control across land and even across the sea, as in the various European empires post-1492. These empires were much more

than nation-states, including within them multi-level and even internally contradictory forms of governance, but they ultimately served the purposes of the ‘metropole’, the dominant nation-state (or ‘empire-state’) at the core (Subrahmanyam 2003, 2006). The collision of these land empires and their seaborne extensions provided the means to carve up the world into ‘nationally’ controlled territories. Eventually, with the decolonisation of the European empires in the 1950s and 1960s, the whole globe was ostensibly carved up into discrete nation-states with supposedly clear, internationally recognised territorial boundaries – the last gasp of nation-state development before the current wave of globalisation (Cerny 1990).

Thus the first real ‘globalisation’ in the 17th-19th centuries – not usually described as such, but the starting point for a genuine ‘world politics’ – actually meant attempting to organise the political architecture of the planet as a whole around discrete, sovereign and mutually recognised states with clear boundaries. This project was huge, took several centuries, and established the politics of the ‘modern’ world as we know them. Whether the units concerned were really nation-states at all but instead transnational empire-states is, of course, is highly debatable, but the ideology of nationhood at the core of – and justifying – empire was a key element of what the French called their *mission civilisatrice* and the British concept of the ‘white man’s burden’. Furthermore, the nation-state, as well as being problematic in and of itself, was also always an *unfinished* project with structural contradictions that have deepened with globalisation. Revolutions, national rebellions, irredentist movements, population transfers, class conflicts, civil wars and the like were key moments that could make or break nation-building projects – as Barrington Moore Jr. pointed out with regard to the American Civil War and other upheavals (Moore 1966). Indeed, the racial divisions, hatreds and distrust that were spawned by American slavery – part of a huge transnational phenomenon of the 18th and 19th centuries – are still the most potent cause of domestic conflict and instability in the United States – and in much of Africa too.

Nevertheless, the construction of nation-states also created national identities, foreign policies, and state apparatuses with ever-growing social and economic functions – industrial and welfare states in particular, both authoritarian and democratic. In the process, the construction of nation-states also reconfigured world politics, creating an international (inter-state) relations system that depended on the balance of power to maintain peace and stability yet paradoxically was wracked by widening wars and which by the 1940s gave way to total war. The nuclear confrontation of the Cold War – and its eventual culmination in the superpowers developing what Mary Kaldor (1981) called a ‘baroque arsenal’ – was indicative of the underlying instability of this inter-state system and its potential vulnerability to holocaust, despite the nostalgic view of the Cold War period that has developed since its demise at the end of the 1980s.

The key element for understanding the dynamics of this system is to see that the project of establishing single, unidimensional boundaries for human societies was a deeply flawed project in the first place. It was always crosscut by transnational conflicts, cleavages and connections: whether by political empires, alliances and ideologies; by an increasing economic division of labour as capitalist modernisation progressed; or by cross-border social bonds, patterns of communication, migration and social movements – indeed, by all three in complex feedback circuits. It was

therefore eminently (a) vulnerable to being whipsawed between the spatial as well as the social and functional requirements of different human activities and (b) prone to continual warfare, oppression and the imperative of hierarchical control to keep it from meltdown. Political processes proliferated both domestically and internationally simply to keep the system in place and working and to keep those boundaries from being holed below the waterline – while also lighting those problematic beacons of liberty and social solidarity that fed and intensified the momentum of its development. The world is a complex, crosscutting, multi-level, multi-nodal construction by its very nature – and the continual modern political imperative of shoehorning human life into nation-state boxes required eternal vigilance and a thick-skinned resistance to that natural complexity.

That project could only be taken to its highest level – the ‘high modern’ nation-state of approximately 1850-1950 – because it coincided and fitted together with the other great organisational project of the modern world, the Second Industrial Revolution (Cerny 1995). This structural congruence of Weberian bureaucratic politics and Fordist economics – the coming of modern, large-scale organisations in both politics and economics – squared the circle of territoriality. As Eric Hobsbawm argued in his classic *Industry and Empire*, the British-based First Industrial Revolution was not just too early but also too fragmented – what we would today call ‘modular’ and ‘incremental’ – to take up the challenge of catch-up industrialisation from around the 1870s onwards (Hobsbawm 1968; Gerschenkron 1962). This surge of ‘late industrialisation’ came at a time of huge technological change and the growth of economies of scale in such industries as the railways, steel, chemicals, communications and later automobiles – the source of the term ‘Fordism’. It was only when such large-scale industrial organisation – what Chandler (1990) called the ‘modern industrial enterprise’, something that passed Britain by at the time (Kemp 1969) – came into being that the fusion of Clausewitzian military-bureaucratic statism, and economic-industrial statism and welfare statism could take place. It also fostered two World Wars.

The 17th century France of Louis XIV’s minister Jean-Baptiste Colbert may have been the original prototype of the modern nation-state (Anderson and Anderson 1968; Spruyt 1994). However, French economic and political development was too sporadic and diverse to develop into a truly organic national industrial welfare state, despite the best efforts of the Napoleon III (Marx 1852/1987), until that model was already in its later stages of decay after the Second World War (Cerny 1982). At the turn of the 20th century, Germany and Japan were becoming the leading prototypes of new powerful, industrialising, mainly authoritarian nation-states seeking empires, with Russia (and later the Soviet Union) constituting another authoritarian version. Democracy took a nationalist turn from the French Revolution onwards, while Marx’s call of “Workingmen of all countries, unite!” increasingly fell on deaf ears as Lenin, Stalin and others reshaped Communism into a nationalist and statist form of authoritarian socialism.

At the same time, the United States, because of its special conditions – extensive domestic natural resources and available land; a rapidly growing internal market; huge investment flows from abroad (especially Britain); a large middle class and growing working class rooted in the flow of ambitious, hardworking immigrants; a strong educational system and technological infrastructure; and a liberal political

tradition (Hartz 1955) – was rapidly rising to economic as well as political preeminence. And the welfare state, from Bismarck to Lloyd George to Franklin Roosevelt (not to mention its role in Fascism and Communism as well as in the democracies) created the crucial popular base for this modern state form by incorporating the working classes into both national consciousness and the growth of the national economy. But this apparent institutional hegemony of the nation-state form was to prove shaky as the next wave of globalisation grew in the late 20th century.

3.3. The Seeds of Change

What went wrong with this integrated, territorially bounded nation-state/inter-state model? Why could not political actors – de Gaulle, Mao, Nehru, Nixon/Kissinger, Western social democrats, a string of Japanese leaders, Thatcher, Bush/Cheney/Rumsfeld – despite their best efforts maintain or resurrect the triumphant nation-state? After all, as noted earlier, it was not until the mid-20th century that the nation-state model covered the entire world and had apparently won out in evolutionary terms over all other political/institutional forms. Was this not the ‘survival of the fittest’ institutionally? Then why was its triumph also the sign of its decay? Why do we today, instead of the ‘strong state’ so imperative for the working of the ‘modern’ Westphalian model, have not only weak states, but states that in some ways apparently make themselves weaker – or, to be precise, state actors act to weaken the state – by reducing their powers, whether through ‘neoliberalism’ at home and/or ‘globalisation’ abroad? And why do apparently militarily dominant states get stuck in foreign quagmires and undermined by transnational social movements and terrorism?

In order to find an answer to these questions, it is crucial first to look back at the nation-state itself – as a long-term political project and political construct. Indeed, in some ways it is difficult to understand how such a model could have been so successful over time. As pointed out earlier, the requirements for the kind of boundary-setting necessary for nation-state-building were extremely rigorous. Boundaries had to enclose or ‘contain’ three basic types of variables – political, economic and socio-cultural. In the first place, it required the development of a state apparatus and a political process that could at least to some extent be effectively sovereign: not only an organised bureaucracy, especially a military and police bureaucracy that could impose order (Weber’s ‘monopoly of legitimate violence’) and the rule of law; but also a policy-making process that sought to shape and ostensibly improve the lives of the people enclosed within those boundaries (Foucault’s ‘biopolitics’). Perhaps even more important was the capacity to get different interests, factions, groups, classes, ethnicities, etc., to accept a set of common rules of the game in order to transform their potential for conflict into relatively peaceful competition. The development of political institutions, political systems and, in particular, widely accepted legal systems, required a holistic, centripetal form of organisation that benefited particularly from territoriality.

Secondly, the boundary-setting process required the establishment of national economies – production and market systems to a significant extent rooted and ‘contained’ within national borders. Indeed, this aspect of the process became highly problematic once trade and capital movements moved society beyond the relative

parochialism of pre-capitalist, localised agricultural production. It was not until the late 19th and even the 20th centuries that the political apparatuses and processes of the most developed state-like polities moved beyond being competing empires with fungible frontiers to being *economically* relatively sovereign nation-states, albeit still with empires to feed their need for raw materials and to absorb their simpler consumer goods. It was only when the economic bureaucracies of large-scale capitalism developed and when industrialisation and economic growth became the main objectives of government policy with the Second Industrial Revolution, that state and industrial bureaucracies partly fused (Lenin and Hilferding's 'finance capital': Lenin 1905) and partly mimicked each other (Galbraith's 'new industrial state': Galbraith 1967/2007) that a range of key economic activities (not all of them, of course) could be enclosed behind national borders and integrated with the political processes discussed above. At the same time, of course, this growth process created sufficient economic surpluses that governments could skim off enough in taxes (Schumpeter 1918/1991) to build the foundations of welfare states, further integrating a range of 'domestic' groups and interests into the political process and giving them stakes in the bordered nation-state (Gallarotti 2000).

Third, of course, was the challenge of creating socio-cultural enclosure. Popular nationalism was a key bulwark against internationalist liberalism and socialism. The *Kulturkampf* in 1870s Germany was not merely a Bismarckian invention but an inherent part of a much longer-term process everywhere, although it took quite different forms (Curtius 1932/1962). With regard to religion, the original 1648 Peace of Westphalia was an essential agreement and symbol of the subordination of religious institutions to the authority of the national state, with other aspects of sovereignty an afterthought. However, the establishment of national religions became a running battle in many areas that continued to undermine state holism, with the Irish question, for example, still undermining the otherwise highly centripetal British state. Linguistic integration has been a running battle too.

Probably the most important cultural factor in creating a sense of belonging to the nation-state has been war, especially after the advent of the *levée en masse* – mass conscription following the French Revolution – and industrialised warfare in the 19th century (Clausewitz 1832/1989). Industrialised warfare brought together bureaucratic political organisation, economic organisation and cultural organisation into one cataclysmic experience for ordinary people, fusing them into a fighting force and centralised support system and forging them into seeing themselves as a 'people' united in deadly conflict where their other experiences were still much more fragmented (Pursell 1994). Probably the other most important factor in creating cultural enclosure was of course democratisation – although it tended to appear later in most countries. Democracy ostensibly fused political institutions and processes, economic processes (economic growth, capitalist firms, the welfare state) and the sense of belonging or ownership of the nation-state from the bottom up, even where these reflected the dynamics of top-down political mobilisation more than spontaneous bottom-up national consciousness (Nettl 1967), and promoted a sense that the national state somehow represented the 'public interest' or 'common good'.

However, as will be seen from even a cursory critical glance at the three dimensions of the boundary-setting process, the whole project was riddled with exceptions and structural weaknesses. The domestic political development of various countries was

often more centrifugal than centripetal in its underlying dynamics as conflicting groups sought to suppress each other, exclude their opponents and demand their complete defeat rather than to include them, as in the Iraqi notion of *sahel* (Wong 2007). In many cases, only severe authoritarian measures enabled the enclosure process to move ahead, with democratisation often proving dysfunctional rather than functional – leading not to internal compromise on political processes but to intensified conflict between entrenched and excluded groups – until some proto-states reached a later stage when national integration had already developed by other means or indeed been forced upon them through defeat in war. However, as historians like Kennedy (1987) and Spruyt (1994) have pointed out, what made the political enclosure process work was its reciprocal, *mutually interactive* character, where states either imitated or were forced to imitate each other to survive. This process of imitation/imposition started in Europe, and Europeans either imposed it directly on the rest of the world through imperial expansion or caused non-Europeans to try to imitate it, the better to resist it, as with Japan in particular.

But in Europe, and later in the rest of the world, it was the *failure of empire* to establish itself *within* the European continent – despite the best efforts of Charlemagne, Napoleon and Hitler – that led to the sorts of inter-state conflicts that institutionalised exclusive national boundaries. Post-medieval dynastic rulers did not intend to create nation-states. Indeed, many of them sought to re-establish the Holy Roman Empire, a sprawling, feudalistic, multicultural concoction that was nevertheless highly culturally, economically and socially successful in its day. The Ottoman Empire that succeeded it in the East had a somewhat analogous structure but was never as economically successful (Mazower 2004). What created post-medieval, ‘sovereign’ nation-states was the *increasing impossibility for absolutist rulers to actually subdue and conquer rival dynasties* and subsequent attempts *to prevent other dynastic rulers with imperial pretensions from undermining one’s own power* (Kennedy 1987). The kind of unidimensional national boundaries characteristic of the later 19th and 20th centuries were not the result of some inside-out or bottom-up intention of ‘nations’ or ‘peoples’ to create something like modern effective nation-states, although nationalism did become a potent if unstable ideology. They were ultimately, and ironically, the by-product of the *clash of failed imperial projects within Europe itself*, the top down constructions of absolutist monarchs whose intra-European imperial ambitions were stymied by the state building successes of their continental rivals. The fact was, as Spruyt (1994) has so cogently argued, that certain quasi-empires – Bourbon France being the prototype – succeeded by doing two things at the same time, simultaneously creating strong domestic organisational structures (arenas of collective action) *while also* defending themselves effectively against external predators (allowing them to make credible commitments). Once the French monarchy succeeded, the others had to imitate it to survive and prosper. What might be called ‘keeping up with the Bourbons’ became the bottom line of success. Europe was carved up into states; frontiers were increasingly enclosed; and the three dimensions, political, economic and socio-cultural, became increasingly *mutually reinforcing* as the modern state grew and, eventually, as empires became counterproductive and rebellious.

This of course did not dampen more frontier-like imperial ambitions, ambitions that were driven by the limitations of surplus extraction and economic development within state borders. To retain power, the absolutists required new sources of income and

economic growth to buy off rising demands from urban and rural sectors of the population. Although generating occasional failed attempts to resurrect the European imperial project (Napoleon and Hitler, among others), the most successful nation-building projects within Europe were precisely those where state actors effectively *diverted the imperial project outwards* to the rest of the world. Unable to expand domestic production and markets beyond relatively the relatively narrow geographical limits of their own increasingly circumscribed portions of Europe, the imperative of continually keeping up with the Bourbons (and the Tudors, Stuarts, Hanoverians, Hohenzollerns, etc.) required the conquest of overseas empires to generate economic development. So at one fundamental level, nation-states sought to transcend the limits of their enclosed boundaries by going elsewhere, paradoxically spreading the combined nation-state/empire model to the rest of the world. The first wave of globalisation was not about states as such, but about the increasing power and impact of ‘empire-states’ (Subrahmanyam 2003).

As the European-generated nation-state system first consolidated within Europe and then spread by imposition and/or imitation to the rest of the world, the conditions for the later decay and undermining of that system began to grow too. While nation-state borders were increasingly being defined, embedded and reinforced politically, economically and socially within Europe, so also were the trends that would ultimately challenge that emerging and consolidating border-setting process. The territorial stalemate in geographical Europe was only deepened by continual warfare, leading to two World Wars and to the ultimate stalemate that was the Cold War, rooted in nuclear deterrence. To this was added the ever denser and more profound internationalisation of the once European nation-state system, not only through European empires but eventually by Europe’s position at the interface of the competing American and Soviet empires (Deporte 1979) – the legacy of an ideologisation of politics into capitalist democracy *versus* state socialism/Soviet Communism which, like nationalism, also started in modern Europe. This confrontation of capitalism and communism replaced the political and social values maintained through enclosed nation-state borders with those of *universal values* – transnational images of freedom, equality and social justice – undermining the unstable, inward looking nation-state synergy that had begun with the English, American and French Revolutions. At the same time, the entropy characteristic of many of the new postcolonial nation-states of the Third World demonstrated that imitation does not bring success if the political, economic and social preconditions of border-setting are not in place. What would later be called globalisation increasingly eroded ‘modern’ nation-state boundaries from both above and below, outside-in and inside-out, along all three of the dimensions identified earlier.

The development of the nation-state and the states system was therefore a schizophrenic affair, its very success also implanted with seeds of decay. On the one hand, the convergence of political, economic and social boundaries led to an embeddedness of territoriality at the nation-state level, a sense that the locality of human activities had shifted to a higher scale and that village, local region or city-state institutions and the sense of belonging that had characterised family and kinship based societies – *Gemeinschaft* (Tönnies 1887) – had effectively been transferred upwards to the level of the nation-state. However, at the same time, the development of a capitalist world economy, the ideologisation of politics around universal values, and concepts like social ‘modernisation’, ‘individualisation’, ‘functional

differentiation' and the like – not to mention extended notions of 'freedom' and 'social justice' – created a wider framework of understanding within which the nation-state/inter-state system would increasingly have to be legitimated and evaluated. This would prove to be beyond the capacity of nation-states to achieve by themselves. Nation-states could no longer credibly aim to achieve the values that had been set for them in the modern world.

3.4. Deconstructing the Nation-state Paradigm

The boundary setting process, always contingent – inherently a social project/construct set up and moved forward by political, economic, ideological and institutional entrepreneurs – therefore contained the seeds of its own decay, as with all Kuhnian paradigms (Kuhn 1962). Nevertheless, that process of decay has not thus far smashed the nation-state as such. Rather, it has *enmeshed* the nation-state and the states system in cross-cutting webs of governance and of transnationally embedded social, political and economic processes, creating complex *non-territorial – functional – boundaries*. Deconstruction and reconstruction constitute a dialectical politics of reinventing space in a globalising world – a politics that has come to be characterised and shaped by neoliberalisation.

The deconstruction of the modern nation-state/states system has proceeded rapidly along all three of the dimensions discussed earlier. With regard to political borders, a number of key features can be identified, three of which are particularly significant for the purposes of this chapter. In the first place, a trial-and-error process of developing international institutions and regimes has been in place since the late 19th century in a range of issue areas and policy domains, starting with communications (the International Telegraph Union), taking a major if problematic leap with collective security (the League of Nations), and, after the Second World War, being extended to a whole gamut of issues. By the end of the 20th century a new term, 'global governance', was being applied to such regimes taken together. Although for the most part such institutions remained 'intergovernmental', i.e. subordinated to negotiations among their member governments, they increasingly achieved a certain autonomous legitimacy and authority given that governments found it more and more difficult to act independently and were in turn subjected to the imperative of seeking cooperative outcomes (Keohane 1984).

At the same time, issues of public policy increasingly came to reflect a range of often asymmetric 'complex interdependencies' across borders (Keohane and Nye 1977). Macroeconomic policy, partially shielded from international pressures during the postwar period of 'embedded liberalism' and the expansion of the welfare state, became progressively subjected to 'embedded financial orthodoxy' (Cerny 1994) and priority was given to anti-inflationary policy, deregulation and privatisation. Trade policy was of course a particular focus, linking the politics of domestic interest groups, elite and mass, with the process of reducing trade barriers. The collapse of the Bretton Woods exchange rate regime in the early 1970s accelerated the internationalisation of financial markets and a process of regulatory arbitrage and competition among governments to retain and attract investment, leading further to discussions of the concept of an 'international financial architecture' (Cerny 2005a).

The crisis of welfare states in the 1970s inaugurated a painful process of restructuring social policy around market and business-type organisational principles (Clayton and Pontusson 1998; Evans and Cerny 2003). Direct outcome orientated state intervention in the economy was progressively replaced by process orientated, 'arms'-length' regulatory policies, public-private partnerships and the pro-market approach of the 'competition state' (Cerny 2000a). 'Transgovernmental networks' among policymakers and bureaucrats expanded, cutting across state hierarchies, and processes of policy transfer deepened (Keohane and Nye 1977; Slaughter 2004; Evans 2005). Of course, although these trends began within and across the more developed states, they also spread rapidly to 'transition' and developing economies through the demonstration effect and through pressure both from G7 states and from international economic institutions such as the World Bank and the International Monetary Fund.

The politics of mass politics and interest group politics has also been transformed. Business interests are increasingly dominated not simply by the interests of multinational corporations but also by those of small and medium sized enterprises whose upstream and downstream operations require foreign markets, external sources not only of raw materials but also of component parts and basic consumer items, overseas labour resources and footloose sources of investment capital. People are more and more aware of the constraints of international economic conditions on interest rates, consumer prices, changing labour markets and the like, leading to new patterns of demands and voting. Indeed, it is argued that in the broad spectrum of political inputs, producer groups, long dominant through business pressure groups, trade unions and the like, are being overtaken by more diffuse, broad-based *consumer interests*. Consumers may, indeed, be the main drivers of economic globalisation as well as of political liberalisation (Cerny 2006a). Political debate and party competition are increasingly dominated by the issue of how to deal with 'global realities'.

Up to the end of the 20th century, it was possible to see domestic political systems as increasingly becoming a terrain of conflict, competition and coalition-building between groups, factions and parties that favoured more globalisation and neoliberalisation on the one hand, and those opposed – those more in favour of the traditional 'modern' politics of protection and redistribution – on the other. Today, however, that competition has come to be characterised by an 'embedded neoliberal consensus' where protection and redistribution are relegated to the periphery and mainstream discourse focuses on the need to 'capture the benefits of globalisation' for purposes of rebuilding and rearticulating coalitions on the one hand and on the promise to move towards a more 'social neoliberalism' or 'globalisation with a human face' on the other (Cerny 2004). Traditional boundaries between left and right, so deeply embedded in the nation-state and the states system, have not so much been left behind as given a new salience and urgency as political actors seek to adapt popular, electoral and pressure group politics to new interdependencies.

Along the second dimension discussed earlier, the economic dimension, the blurring and enmeshing of boundaries is even more obvious. There is no need here to expand at length about the roles of international financial markets, trade growth and interdependence, international production chains, multinational corporations and the like in deconstructing the economic borders so painfully erected in the process of nation-state building in the 19th and 20th centuries. National markets and economic

sovereignty are increasingly a fiction. Economic effectiveness, whether on the part of the private sector or of governments, today means the capacity to manipulate international economic conditions in order to improve the profitability, productive and competitiveness of domestic firms and economic activities *vis-à-vis* foreign and/or transnational competitors and to obtain benefits from market interdependencies for domestic consumers.

Where economies of agglomeration (or location) do occur, as they do in a number of key sectors, those locational advantages have less and less to do with nation-states as places/spaces *per se* (big factories, immediate access to raw material supplies, nationally integrated consumer markets, etc.). In contrast, they increasingly involve craft industry synergies, knowledge clusters and the like – spaces and places that, like ‘world cities’ and regions like Silicon Valley, possess locational advantages that derive *not* from where they are physically located within a national territory but *how they are plugged into the international economy*. Post-Fordism and the flexibilisation of a range of industrial processes, along with marketing and the rapid expansion of service sectors, imply synergies of ‘glocalisation’ – the interaction of processes of globalisation and localisation – across geographically disconnected spaces, not exclusive embeddedness within discrete, contiguous national territories. Recent French and German calls for more ‘national champion’ industries are more likely to lead to stagnation and inefficiency than to greater market share and national economic strength, as the recent experience of Japan demonstrates – although the prevalence of such policy discourse in the 2007 French presidential election campaign and the post-election pronouncements of President Nicolas Sarkozy indicate that the political clout of such ideas is still powerful amongst certain voters and pressure groups. Nevertheless, such an approach is a ‘dead man walking’. The shift of public policy and political discourse noted above from outcome orientated state intervention to process orientated arms’-length regulation and the promotion of competitiveness (along with compensating losers) represents a further entrenching of the embedded neoliberal consensus.

Along the third dimension, the socio-cultural, the embeddedness of the nation-state and the states system is perhaps more robust. We are all brought up in a world of identity and belonging that privileges national-level social bonds, perceptions and discourses. People in developed nation-states do indeed see themselves as primordially American, English (but perhaps not British ...), French, Japanese, etc., although tribalism, class and ethnic conflict and the like have stymied nation-state consolidation in much of the developing world. Nevertheless, other bonds, perceptions and discourses are increasingly overshadowing the national in ways that are growing in salience and intensity. This social transformation is even reflected in the rapid disillusionment with foreign military adventures that has been characteristic of recent decades. As with the ‘Vietnam Syndrome’, the Soviet adventure in Afghanistan and the American war in Iraq, empires and potential hegemons are being undermined just as much by opposition at home as by military defeat in the field – the ‘body bag syndrome’. Furthermore, immigrants, diasporas and other mobile individuals and groups are no longer cut off from their networks of origin. The internet creates virtual spaces for transnationally connected people to maintain their identities in ways that represent *neither* the national space of their origins (where they may well have been minorities) nor that of their destination country as such, but complex spaces where both are inextricably intertwined, as exemplified by

remittances, which constitute an ever increasing form of development funding. The nation-state is too confining and counterproductive a source for identity formation, although no clear alternative has yet emerged.

In this context, transnational multiculturalism clearly transforms, and occasionally undermines, the exclusive, painfully constructed and often incomplete or counterproductive national cultural boundaries so important to identity in the modern nation-state. Liberal states may adapt relatively better by resorting to more complex strategies of reconciliation, whereas non-liberal states and state actors may engage in attempts at crude assimilation or ethnic cleansing. However, in both cases national identities are increasingly cut across and transnationalised in the process among both categories. Although we may not be in a fully blown 'postmodern' era of fragmentation, disorientation and virtual spaces, nevertheless the deconstruction of 'modern' national and ideological cultural narratives is leading to myriad attempts at identity reconstruction that privilege at both global and local levels the kind of 'cross-cutting' and 'overlapping' notions of group membership that were so crucial to mid-20th century pluralist thinking at the domestic level (Cerny 2006b). Socio-cultural boundaries are no longer between fixed physical territories but cut right across individual identity too, like a more complex version of those who were once derided as 'hyphenated Americans'. *Multiple hyphenation* of identities along different virtual borders (locational, ethnic, religious, gendered, occupational, orientation to 'liberal' or 'monistic' politics, etc.) is the norm today (Mostov 2007).

But it is not merely multiculturalism that is at issue here, whether within particular 'national' spaces or within groups and individuals, but a partial simultaneous transnationalisation and localisation – glocalisation – of culture itself. At the local end of the spectrum, some circumscribed but highly conscious communities like the Zapatistas of Chiapas in Mexico do not merely make claims on behalf of their own unique political, economic and social autonomy (although many ethnic groups and tribes do). Rather they increasingly claim a *universal* right for such communities to demand autonomy from what they see as the oppressive centralisation of state-building elites. At the global end of the spectrum, increasingly geographically dispersed groups – Kotkin's '*global tribes*' (1992), not to mention major religious groupings and transnational 'epistemic communities' of experts and professionals – play a crucial role across the world in spreading transnational and global knowledge and organisational forms. Of course, much of the present day analysis of the phenomenon of terrorism, along with the virtual elimination of inter-state wars and the ubiquity of below-the-border, cross-border and civil wars, takes both its novelty and its significance from examining the organisational flexibility that derives from terrorism's transnational, non-state character. The 'new security dilemma' (Cerny 1998, 2000b and 2005b) is rooted in the failure of the states system to cope with these non-state security challenges.

3.5. Deconstruction and Reconstruction, Fusion and Coalition-building: Towards Neoliberalism

Political, economic and socio-cultural borders are therefore in a growing state of flux and deconstruction, while *de facto* and experimental reconstruction projects increasingly dominate institution-building and institutional reform, political discourse and competition, public and economic policymaking, and social and cultural politics

and policy. These reconstruction projects are profoundly shaped by cross-border functional differentiation and by the transnationalisation of a range of political processes and groups. In this context of transition and change, world politics (i.e., domestic, international, transnational, translocal, etc., taken together) in the 21st century are increasingly dominated by a range of policy and institutional strategies rooted in *neoliberalism* – a flexible and fungible paradigm that nevertheless involves and makes sense of the uneasy and uneven interaction of convergence and diversity of a globalising world.

The notion of neoliberalism *per se* is a complex one and there is not space to expand on it much here. Neoliberal politics today is increasingly concerned with attempts to cope with and to capture the benefits of globalisation for the purposes of coalition-building and public policymaking. I argue elsewhere that there has emerged over the past few years an ‘embedded neoliberal consensus’ around a range of distinct component parts that can be arranged and rearranged in various policy configurations (Cerny 2004). In this embedded neoliberal consensus, several dimensions of neoliberalism are generally acknowledged to constitute the new ‘bottom line’ of politics on both left and right.

These dimensions include:

- growing, if grudging, acceptance of a more open world economy with regard to trade, financial flows, the operation of multinational corporations, etc.;
- reform of national finances and, in particular, the *a priori* control of inflation;
- a shift from outcome orientated, direct state intervention to arms’-length regulation and the promotion of international competitiveness, marketisation, financialisation and the like through regulatory reform;
- privatisation, public-private partnerships, and the marketisation and contractualisation of ostensibly appropriate firms and sectors; and
- ‘reinventing government/governance’ both domestically and in terms of so-called ‘global governance’, i.e. ‘flexibilising’ and marketising the state itself as well as the international system.

In this context, the territorial state defined by physical/geographical space is not so much withering away as being increasingly enmeshed in webs of economic interdependencies, social connections and political power – the development of a denser and more complex set of virtual political spaces that cut across traditional distinctions between inside and outside, public and private.

In particular, the politics of economic liberalisation, competitiveness, regulation and governance require a far-reaching shake-up in terms of institutional boundaries, hierarchies and decisionmaking processes. Boundaries, especially economic boundaries, are less and less about distinctions between territorial units and constituencies and more and more about those between:

- *economic sectors* with different asset structures (see below);
- cross-cutting *socio-cultural networks and interest groups* that span the local and the transnational;
- *state agencies* (and public-private organisations) with competing clienteles and crosscutting, cross-border – transgovernmental – connections; and
- new groups of social and economic ‘winners’ and ‘losers’.

Thus the core of the 21st century political process is focused on attempts by political actors to reconstruct political processes along these new functional boundaries *within* the framework of embedded neoliberalism. This reconstruction process includes reorganising political institutions, realigning political forces and coalitions, reforming policy processes, and restructuring ideological space in order to reflect the changing sets of constraints and opportunities of a globalising world. In particular, what is emerging is a range of attempts to *politicise* – to (re)claim for the theoretical as well as the practical realm of politics (and Political Science) – what has been seen up to now as an ineluctably economic image of globalisation. This involves a reinvention of the social dimension of politics through new policy and coalition ‘spaces’ populated by a wide range of new, and old, political actors in both the developed and developing worlds. Although technological and economic structures can alter the parameters and payoff matrix of the playing field of politics and public policy, in the last analysis outcomes of the interaction of politics and economics in a transnational political context are, I argue, primarily determined by political action and not merely by economic-structural variables. This is, of course, the stuff of the relatively new transdisciplinary field of International Political Economy.

3.6. Constructing New Boundaries

These new political processes are differentiated more by sector and issue area than by physical, geographical and territorial space. They therefore involve the construction of *new boundaries between issue areas* – a ‘horizontal’ restructuring of institutions and policy domains. While at first glance these new boundaries seem like ‘virtual’ boundaries when compared to territorial borders, they are just as ‘real’ for the actors bounded by them. In many cases, they are even *more* ‘real’, impacting on people’s *core interests* in fundamental, behaviour-determining ways: through the distribution of economic opportunities, costs and benefits; through the construction and reconstruction of social bonds, ideologies, cultures and identities; and through changing patterns of politicking, policymaking and pressure group activity – indeed in the most crucial aspects of everyday life.

Three kinds of bordering dimensions, taken together, differentiate these issue areas and distinguish the forms of governance most likely to develop in each – what are referred to in this book as ‘policy domains’. The first is a mainly economic-structural dimension, developed primarily in the field of institutional economics – that of asset structure (Williamson 1975 and 1985). Williamson’s key hypothesis is that where a particular economic activity or process is characterised by assets that cannot easily be disconnected or disentangled from other assets – in other words where they are only ‘fit’ for a specific purpose and lose value if redeployed for other purposes (‘specific assets’) and where it is difficult or impossible to determine their prices through a standard, market-based price setting mechanism – then they are usually more effectively organised and governed through hierarchical structures and processes, i.e. decisionmaking or governance processes that determine the uses for those assets by authoritative pronouncement or *fiat* (‘long-term contracting’). However, where an activity or process is characterised by assets that *can* be separated out and/or divided up without losing value, especially where there are other uses to which they can be easily redeployed – where they can be bought and sold freely and where there is an efficient price setting mechanism at work (‘non-specific assets’) – then they are likely to be more efficiently organised through *markets* (‘recurrent contracting’). It should

be noted that spatiality is a key element in this equation, as physical location and ‘economies of agglomeration’ are among the most significant specific assets.

In purely economic terms, this means that firms with extensive specific assets are more efficiently organised through quasi-monopolistic, hierarchical governance structures. In *public policy* terms, this means on the one hand that where a particular industry or activity is characterised predominantly by specific assets – for example, a large integrated ‘Fordist’ production process with non-divisible technological assets like large integrated factories and production lines, low marginal costs and high economies of scale based on economies of agglomeration (traditional cold rolled steel production, for example) – then direct government intervention, whether through public ownership, direct control, subsidisation and/or traditional ‘hands-on’ forms of regulation, is more likely to lead to relatively efficient outcomes than privatisation or marketisation, which would lead to private monopolistic or opportunistic behaviour. On the other hand, where an industry or activity is characterised predominantly by non-specific assets – say a flexible, post-Fordist steel mini-mill or an internet firm – then not only will it be more efficiently organised through private markets, but also in public policy terms, arms’-length regulation concerned with setting general, process orientated rules for market transactions, ensuring price transparency and preventing fraud in an otherwise privately organised market setting will be more efficient. This distinction becomes crucial when placed in the context of globalisation.

If globalisation does involve increasing flexibilisation and post-Fordist production and distribution processes, and if a larger (global) market means that more assets can be traded on liquid transnational markets, this implies in economic terms that the specific asset dominated Second Industrial Revolution model of domestically based monopolies is increasingly likely to be replaced by a marketised, non-specific asset dominated Third Industrial Revolution model of industrial organisation and governance more generally. Public policy in turn is likely to shift its general orientation away from outcome orientated, direct intervention of the traditional type associated with the Industrial Welfare State towards process orientated regulation and reregulation. However, it also implies that *public policy itself needs to become more flexibilised and marketised*, moving away from what has been called a ‘one size fits all’ hierarchical bureaucratic form of intervention towards *pro-market* regulation, privatisation, contractualisation and the like (Osborne and Gaebler 1992), if it is to be effective in such a transnational setting.

Neoliberalism, therefore, perhaps most egregiously involves a shift from outcome orientated intervention to arms’-length regulation. In this sense, globalization, flexibilisation and neoliberalism actually open up more *spaces* for transnational political actors to conflict, compete, cooperate and build coalitions. The traditional interventionist state becomes not only a ‘regulatory state’ (Moran 2002) but also a ‘competition state’ seeking to maximise returns from globalisation. In turn, rather than being restricted to the nation-state ‘container’, the reconfigured boundaries among economic sectors and issue areas in a globalising world open up a wide range of complex spaces – some new, some reconfigured ‘old’ spaces as political behaviour adjusts to the more complex global playing field – for *transnationally linked* political actors, especially interest groups that define those interests in their global context.

The second dimension therefore concerns the *configuration of interests* characteristic of the industry or activity concerned. For example, where people involved in a particular industry are concentrated in a discrete geographical area and where the impact of competition (whether domestic or foreign) affects the whole interest group and not merely some sub-groups, then there will be direct pressure whether through lobbying or electoral behaviour for governments to promote or protect that industry through traditional outcome orientated means. However, where those people affected by the fate of an industry are geographically dispersed – indeed, this refers mainly to producer groups, as consumer groups are usually geographically dispersed anyhow – then political actors will have a wider set of policy options to deploy (Frieden and Rogowski 1996). What appear to be the geographical boundaries of the firm or sector become transformed into boundaries between concentrated losers from market competition, on the one hand, and both dispersed losers and winners on the other. Political coalitions between the two latter categories can often resist demands for protection and bailouts from even the most concentrated losers, although this is highly variable. In the latter case, neoliberal political coalitions may be constructed on a quasi-cross-class basis.

On the one hand, patterns of cross-border *sectional or economic-utilitarian politics* of specific agricultural sectors will be very different from those of a rapidly changing steel industry, varied high tech sectors, textiles and other consumer goods, or the commercial aircraft industry, based mainly on their asset structures (specific or non-specific) and on their cross-border geographical integration and interdependence. On the other hand, new forms of *value politics* on a range of globalising non-economic issue areas like AIDS prevention, poverty reduction, criminal law and the like, have been growing, where transnational pressure groups, advocacy coalitions and non-governmental organisations (NGOs) seek new ways to compete and cooperate in the quest for political influence, economic clout and social relevance (Lipschutz 2005).

The third dimension concerns the relative sensitivity and vulnerability of the industry or activity to specifically international or transnational economic trends, in particular export potential, import vulnerability, position in an international production chain, exposure to internationally mobile capital and the like. There are essentially two aspects of this dimension – the mobility of physical capital and cross-border price sensitivity. When an industry or activity is insulated from such cross-border structures and processes, then lobbying pressure and ‘iron triangles’ in that sector are likely to favour traditional redistributive/protective policy measures. However, firms and sectors that are highly integrated or linked into such structures and processes, especially where there is a ‘world market price’ for a good or asset that determines local prices, then lobbying pressure from firms in that sector and from industry organisations is likely to be organised through ‘golden (or flexible) pentangles’ – coalitions that include transnational actors from outside the national ‘container’ and which operate at transnational level to influence ‘global governance’ processes – rather than traditional ‘iron triangles’, and to push for neoliberal outcomes (Cerny 2001).

In the light of these three dimensions, I would argue first of all for the broad hypothesis that the growing marketisation of assets – i.e., structural shift caused by flexibilisation and the globalisation of markets – when added to increasing dispersion of losers and the growing sensitivity of sectors to international markets, means that

public policy in general and the political coalitions that support it are likely to shift over time in a more and more neoliberal direction, thus challenging the traditional boundaries of the nation state. However, what is perhaps more important in portraying processes of change is to argue that certain key sectors, sectors that constitute structurally significant nodes of economic activity and thereby impact upon a wide range of other sectors, ‘go neoliberal’ first, creating a domino effect on others even where they are characterised by more non-specific assets, geographical concentration of interests and low sensitivity/vulnerability.

Finance is a particularly crucial sector, linking together and acting as a ‘crossroads’ issue area and policy domain where most of the others meet. As I have argued elsewhere, regulatory changes and regulatory arbitrage in the financial sector are key triggers for wider neoliberalisation, especially as they have direct knock-on effects on the availability and cost of capital as well as the regulation of accounting standards, consumer protection, fraud prevention, corporate governance and the like (Cerny 2005a; Wolf 2007). Indeed, neoliberal, pro-market reregulation started with financial regulatory reform and that continues to be the ‘bottom line’ focus of public policy innovation. This is the case not only in developed countries but indeed in developing countries too, where it forms the core both of the so-called Washington Consensus, and in a more complex manifestation, of the post-Washington Consensus with its increasingly regulatory focus as well (Guha 2007).

These dimensions might potentially be applied to assess the likelihood and shape of neoliberal policy innovation and coalition-building across a range of contrasting, differently structured issue areas and policy domains, and the actors that populate them, including –

- § financial systems and regulation,
- § international monetary policy and exchange rate management,
- § macroeconomic – fiscal and monetary – policy,
- § microeconomic and strategic industrial policy,
- § public and social services,
- § trade policy,
- § corporate governance,
- § labour markets,
- § welfare states, and
- § the most informal, diffuse and unorganised – but nonetheless increasingly marketised – issue area of all, consumption.

This reconstruction of space implies that there exists a wide range of options for policy innovation in different issue areas and policy domains even *within* the parameters of an ‘embedded neoliberal consensus’. In some cases, traditional policies of protection and redistribution will be appropriate too. However, it is ultimately the *mix* of policy measures that is at the core of the new transnational political process and is the most important part of neoliberal coalition-building. And it is furthermore crucial to examine the *process of interaction* among these and other issue areas and policy domains. As pointed out earlier, the politics of certain key issue areas like financial regulation can play a distinct catalytic role in reshaping global economics and politics *as a whole*, imposing their particular market and policy structures on other sectors and issue areas too.

Finally, neoliberalisation, I would argue, is *overdetermined*. The actors and institutions that make up the galaxy of multi-level governance and multi-nodal politics in the 21st century can all be seen as pushing more or less in the same direction, towards more transnationally interconnected political processes as well as market structures. In one sense this means that there is a holistic, ‘fusion’ aspect of the neoliberalisation process that transcends national borders. But it also means that the constellation of variables all play distinct, if complementary, roles in neoliberalisation. In the first place, as argued earlier in this chapter, political actors – politicians and bureaucrats, policy and institutional entrepreneurs, interest groups and even ordinary voters – have in various ways been key actors in this process. For example, state actors today, in pursuing traditional goals of economic growth and development, tend to prioritise using public policy to promote and enhance the international competitiveness of firms and sectors that also play significant roles in the domestic economy – the ‘competition state’ (Cerny 1997 and 2000a). In this role they increasingly to construct broad yet neoliberal coalitions such as New Labour in the United Kingdom (Cerny and Evans 2004), the current Christian Democrat-Social Democrat coalition in Germany under Angela Merkel, or even, despite nationalist electoral rhetoric, the quasi-neoliberal majority of Nicolas Sarkozy in France.

At the same time, international economic institutions and other structures and processes of ‘global governance’ base their own legitimacy and authority on neoliberal coalition-building, whether in shoring up their own financial support from donor states, developing their own institutional autonomy, and/or attempting to ensure compliance through quasi-voluntary conditionality among client developing states. The Washington Consensus and, indeed, its post-Washington Consensus successor can be characterised as coalition-building projects to legitimise as well as to control the development process in order to ensure that it proceeds in a broadly neoliberal direction (Cammack 2004).

Obviously the role of the United States in international negotiations, although at times erratic, has also been one of the main factors pushing for trade and financial liberalisation over the past 70 years. Indeed, it has been argued that the U.S. benefits from a ‘globalisation premium’ in that the internal organisation of the American economy and policy have given not just the American state but also *American non-state actors* key roles to play through various kinds of domestic and transgovernmental coalitions in spearheading liberalisation processes. But the key to the link between globalisation and neoliberalism lies not in the hard or soft power of United States as such, nor in the development of ‘global governance’. The key is the political flexibility, fungibility and transnationality of neoliberalism itself, including the spread and legitimation of ‘neoliberalisation discourse’ at both elite and mass levels. In today’s globalising world, neoliberalism reaches the parts – the spaces and places – other discourses and political projects no longer reach.

3.7. Many Roads to Neoliberalism? Reinventing the Social in a More Open World

The spread of neoliberalism is therefore essentially a political project or construct that is multidimensional and that can be shaped to the needs and values of a large number of increasingly powerful, transnationally connected political, economic and social

actors (Cerny 2000c). Once the basic dimensions of neoliberalism listed above have been accepted in principle in the embedded neoliberal consensus, a huge range of policy options opens up. Globalisation and neoliberalism are not merely about constraints on the nation-state and the states system. Rather they involve the integration and fusion of the state into a wider, multi-level and multi-nodal system. As Moran (2002), for example, argues, the concept of arms'-length regulation does not result in a 'retreat of the state', as in Strange's famous phrase (Strange 1996). Paradoxically it involves a reorientation of the state towards much *more intrusive* systems of regulation across a wider range of issue areas and policy domains than ever before, *while still supporting the underlying overall trend towards transnationalisation and marketisation*. Similarly, neoliberal reform of the welfare state has not rolled back welfare as we have known it. Rather it has restructured and marketised welfare in far more complex ways than ever before (Evans and Cerny 2003). Neoliberal reform reaches from issues such as disease prevention to labour market 'deregulation' and welfare reform, to urban and regional governance and the institutions and processes of the central state, and up to the uneven and still developing processes of superregional (e.g., European Union) and global governance. And it isn't just governance that is being reformed and restructured; the key to understanding change is that it is *neoliberal* governance that is shaping the institutions, processes and spaces of our multi-level, multi-nodal world.

In this process, neoliberalism, like other ideological paradigms and political projects before it, cannot be kept to a rigid formula of Thatcherite neoliberalism 'red in tooth and claw'. Neoliberalism needs coalition partners, allies and supporters in the mass of the population if it is to form a consensus and provide the discourse and strategic parameters of global politics. In other words, neoliberalism, despite its bottom line, needs to be flexible. The first line of flexibility is the flexibilisation of the state, the move towards the competition state. The second line of flexibility is the development of glocalised multi-level governance. The third line of flexibility is the rearticulation of coalitions of interest groups and, yes, voters. And the fourth line of flexibility is the capacity to construct coalitions transnationally around distinct issue areas. For neoliberal political projects – in a world where liberal democracy is highly institutionalised in developed countries and becoming more institutionalised in many previously authoritarian states ('two steps forward, one step back') – will go nowhere without coalitions, alliances and mass support (or at least mass acquiescence). This process of coalition-building requires more than just marketisation and economic efficiency. It requires a sense of virtual and functional as well as territorial space and stakeholding for people who are not the natural allies of neoliberalism. It requires social payoffs and side payments. And it stretches across and links together the complex new functional, transnational issue area-based boundaries of a globalising world.

Indeed, the most striking thing about neoliberalism today is the extent to which the fusion project increasingly includes a reinvention of the social. On a rearranged political spectrum actors are asking the following kinds of questions:

- Deregulation or re-regulation? To what extent can arms'-length regulation of particular industries as well as public and social services replace traditional forms of public ownership, control, production, delivery and even redistribution?

- >Concerted= or >liberal= market economies? What scope is there for governments not so much to engage in neocorporatist or quango-like bargaining processes at the domestic level, but rather support crosscutting innovative activities that promote synergies among sectors without involving outcome orientated intervention (e.g., the ‘new endogenous growth theory’, on the one hand, and the growth of hedge funds and private equity on the other)?
- Multi-level governance or neomedievalism – does fragmentation of authority strengthen or weaken governance capacity (Cerny 1998)? How can ideas like ‘subsidiarity’ be used – as it originally was meant to be used in the 19th century (e.g., Social Catholicism) – actually to increase the effectiveness of social and public services? How can the transfer of decision-making powers from national (democratic?) institutions both upwards and downwards to local/regional governance and to global governance be organised to maximise social goals?
- Relative efficiency of private versus public provision in differently structured issue areas – management? cost containment? capital raising? delivery? efficiency or effectiveness? quality? (electricity, health, railroads, etc.)? To what extent do particular sectors with high levels of specific assets – like railways (consider the effects of rail privatisation in the United Kingdom) – need to be more hierarchically controlled through the public sector, or, alternatively, to what extent can feasible ‘internal markets’ be devised (as with electricity distribution) without leading to re-monopolisation?
- The restructuring of social safety nets – streamlining or erosion? rights or obligations? universal or targeted? temporary compensation or structural adjustment? poverty reduction? hunger? In other words, are there new ways that welfare goals can be pursued other than through the traditional government hierarchies?
- The transformation of global governance norms post-‘Washington Consensus’? To what extent can international economic institutions (e.g., the World Bank) and other regimes become vehicles for effective social policy, even if it is subordinated to the ‘bottom line’ of neoliberalisation?
- To what extent can transnational pressure groups and non-governmental organisations also become vehicles for the socialisation of the global? Is the anti-globalisation movement really anti-globalisation – or is it becoming a force for transforming globalisation, the so-called ‘alternative globalisation’ movement? Can the World Social Forum and its offshoots have any real impact in creating ‘globalisation with a human face’?

3.7. Conclusion: The New Neoliberal Spatiality

Globalisation and neoliberalism involve a fundamental restructuring of the spaces and places of world politics, economics and society. The imposition of the nation-state as the core building block of the modern world system was always a problematic political project, distorting wider crosscutting developmental trends. And even at the apparent height of the nation-state’s success as a structural/institutional phenomenon during the phase of decolonisation after the Second World War, both old and new processes and structures were undermining existing territorial bases for politics and governance, while simultaneously strengthening the kind of crosscutting functional connections that could only be mobilised by a crosscutting set of policy ideas like neoliberalism. In turn, neoliberalism is reshaping and reconstructing the spaces and

places of world politics in new and innovative ways. Its fungibility and flexibility means it can be adopted and adapted by a wide range of transnationalising political actors to suit both their sectional and their value goals. Neoliberalism is becoming many things to many people.

Globalisation therefore is continually being shaped by a set of complex political processes and strategies that blend old and new in unexpected ways, especially with the emergence of a new political spectrum of plural 'neoliberalisms'. Some of the purveyors of the latter are more concerned with marketisation pure and simple (e.g., Thatcherism); but others are seeking a kind of reorganised 'social neoliberalism' at various levels of governance – while preserving the globalising and competition-promoting characteristics of the original neoliberal project. These emerging 'varieties of neoliberalism' will vary not so much by 'vertical' national models as by a complex 'horizontal' and functional-differential reconfiguration of issue areas, shaped by the distinct crosscutting constraints and opportunities characteristic of each. In other words, the oversimplified view of modern space and territoriality as requiring exclusive, multidimensional territorial borders needs to be replaced with a paradigm of complex linkages across space and time, and the reordering of governance and politics along multi-level and multi-nodal lines – including, but going beyond, the notion of 'networks' (Castells 2004) to a more complex range of institutional forms, economic structures, social processes and patterns of politicking.

A key dimension of this process is to *bring actors back in*. This neoliberal world requires not domination and rule but what Preston has called 'orchestration' and 'political choreography' (Preston 2000) – a ratcheting upwards of Foucault's art of governmentality to complex translocal, transnational, international and global levels. Political and institutional entrepreneurs must learn new skills, especially the skills of *operating on several asymmetric playing fields at one and the same time* – playing fields that can be within, cutting across, above and below old-fashioned national borders. This will require an increasing focus on new institutional strategies and institutional entrepreneurs as well as new policy strategies and policy entrepreneurs. World politics is not still moving down a path dependent upon and circumscribed by existing nation-state borders. Rather it is approaching a new branching point or tipping point – one which will deconstruct those boundaries, reconstruct them, and construct new ones connecting issue areas and policy domains across borders and creating a new social neoliberal spatiality for the 21st century.

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