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National States and Global Governance

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Globalization, the big catchword of our times, is perceived both as a threat and a promise. National economies are supposed to profit from access to globalizing markets, but a globalizing economy also means growing competitive pressure. Citizens are believed to benefit from the extended access to a variety of goods and services, but they are also exposed to the consequences of worldwide financial crises. States who initially opted for opening up their boundaries to international communication, trade, and travel, and who decided to establish the existing international organizations, now find themselves restricted in their policy choices, especially in the fields of fiscal, economic, and social policy. These ambiguities of globalization lead to a public debate that is fraught with emotions, unfounded hopes and fears. What is needed is a sober analysis of the way in which globalization does in fact affect national states and national policy making. I shall attempt to make a small contribution towards such an analysis. I begin by looking at the various aspects of globalization. The main part of my argument will then deal with the problems globalization creates for national states, and with the chances that global governance offers – or fails to offer – to respond to these problems.

Globalization is often understood in purely economic terms, but this is by far not all there is to it (Held et al., 1999). I find it useful to distinguish six different aspects, or component processes of globalization. None of them, incidentally, is really global in scope - if by global we mean a world wide web of transactions in which all regions of the globe participate equally. Taken as a description, the term “globalization” is empirically false. What the term does imply is a potential openness of all kinds of transactions, whether they be economic, cultural, or political, to all regions of the world and to all public and private actors capable of entering the game. If this utopian aspect of the term globalization is clearly understood, you will not misunderstand me if I continue to use the word.

Let us now briefly look at the different aspects of globalization that I want to distinguish. There is, first, the global expansion of communication and transport, which in a way lies at the base of most other forms of globalization. Among these, economic globalization looms large, both as concerns the transnational expansion of markets and the increasing importance of multinational corporations, of which there existed roughly 37.000 in 1990 (Beisheim et al. 1999, 307). The third aspect is often referred to as “ecological globalization”, but more is involved than the transnational expansion of environmental problems; “ecological globalization” should be taken to include all kinds of nationally produced negative externalities that spread beyond national boundaries. Such negative externalities range from the expanding ozone hole, global warming, and the extinction of certain plant and animal species, to the expansion of old and new plagues and the growing stream of refugees and asylum seekers from countries ridden by civil war and economic mismanagement. The fourth aspect of globalization, often neglected in public discourse before September 11, 2001, is the growth of international terrorism and organized crime.

The main driving force behind these four different aspects of globalization is individual needs and interests, interests that respond to the opportunities created by modern technology and

by the political decisions of nation states to permit and even promote communication, movement, and trade across their boundaries. It is a moot question whether it would have been politically feasible to stem the growing tide of transborder transactions made possible by modern technology. The latest developments in reproductive techniques made possible by modern biotechnology should warn us against the illusion that we can collectively choose not to use what at least some human actors fervently wish to use for their own purposes.

However that may be, the negative side-effects caused by the globalization of communication, markets, production processes, and criminal behavior have contributed to political globalization, the fifth aspect to be distinguished here. Though certain supranational and international political institutions have existed for a long time, their number and importance has greatly increased after the Second World War. But this happened only partly in response to the problems created by globalization. Another important motive lies in the area of security policy. In response to the devastating consequences of wars fought with 20th century military technology, efforts were made not only to establish an international security policy in the framework of the United Nations, but also to create a world in which such conflicts were less likely to erupt. The result has been a dense network of supranational political institutions, international governmental organizations, and international regimes. Parallel to these political institutions, international non-governmental organizations have developed. Some of these private organizations represent the interests of business and certain professional groups, others pursue public interest goals, and still others are concerned with technical standardization (Ronit/ Schneider 2000). These private organizations represent the beginnings of a global civil society – the sixth and last aspect of globalization.

Together, international governmental and non-governmental organizations make up what is generally called global governance. Governance is by definition about collective problem-solving, not about dominance for its own sake. Both international governmental and non-governmental organizations are involved in processes of collective problem solving; the problems they are supposed to address are put down in their statutes and their stated missions. This holds for supranational institutions like the United Nations, for international governmental organizations like the International Labor Office, the World Bank, and the World Trade Organization, and for international regimes dealing with problems of the global ecology and human rights issues. International public interest organizations similarly address a range of humanitarian and ecological problems (Heins 2002). Even international business associations do not only function as pressure groups for economic interests; in addition to their involvement in international decision processes, organizations such as the OECD or the International Chamber of Commerce also perform some regulatory functions (Greenwood/ Jacek 2000).

Let us now turn to the problems that globalization creates for nation states. Directly or indirectly, the effects that globalization has on national societies, their economy and their population, become challenges for national legislatures and governments. On the one hand, globalization confronts national governments with new problems to solve in the interest of their countries. At the same time, however, the effects of globalization restrict the range of feasible policy choices. Of course, national governments have always had to consider the international context in making decisions. Now it is in particular economic globalization that influences policy-making by restricting the policy choices open to national governments. These restrictions are felt most strongly by export-oriented, highly developed nations that are subject to the competitive pressure of the international economy. This competitive pressure

forces states to take the interests of an increasingly mobile capital into account in its tax and fiscal policies. This in turn limits the funds available for social policies that benefit the poor, the old, and the ill (Scharpf 2000). In this way, globalization, and especially economic globalization, impinges *de facto*, though not *de jure* on the sovereignty of national states.

Ecological globalization in the wide sense in which I have used the term creates a different type of problem for national states - not by affecting the sovereign power of national legislatures to make certain policy decisions, but by limiting the problem solving capacity of whatever decisions may be taken at the level of a single nation state. Climate change, produced not only by the emissions of the industry but also by deforestation and soil erosion in less industrialized countries, is a good example. Much the same holds for the problems caused by the internationalization of the mass media, of transport, of organized crime and of terrorism. Problems originating in neighboring countries or even in very distant regions of the world cannot be attacked directly by the government of an affected country. Governments may at best adopt certain defensive policies in order to guard against, for instance, the influx of fascist propaganda, of drugs, and of illegal immigrants. But often, as in the case of air pollution or global warming, it is not possible to wall one's own country off effectively.

The logic underlying such problems is a divergence, a lack of congruence among three social structures: the structure of those actors who cause certain negative effects by their behavior, the structure of those actors who suffer from these effects, and the structure of those actors who are responsible for the solution of a given problem. I call these the genetic structure, the impact structure, and the regulatory structure of a problem, respectively. There are many different ways of coping with a problem, but the only ultimately effective way of doing so is to change its genetic structure. Those who cause a given problem will change their behavior voluntarily only if they themselves are negatively affected, i.e. if genetic structure and impact structure converge. Where this is not the case, recourse must be made to regulators who are able to induce and possibly even force those who cause a problem to change their behavior. But this presupposes that the regulators have the appropriate authority, that genetic structure and regulatory structure converge, which is typically not the case when the problems afflicting a given country originate partly or wholly elsewhere. Generally speaking, the chances of solving a problem are best if its genetic, impact, and regulatory structures coincide. This is, for instance, the case in the famous "tragedy of the commons", where the over-grazing and erosion of the common grassland is caused by the same set of people who subsequently suffer from it, and it is these very same people who could agree to a sustainable utilization of the commons which solves the problem. However, this kind of congruence is typically absent in the case of the problems caused by globalization. Here genetic structure and impact structure usually diverge more or less, and no country affected by them is able to solve them single-handedly by its own actions. The only chance to solve such problems is in the framework of a regulatory structure that includes those who cause a problem together with those who suffer from its consequences.

This, in fact, is the manifest purpose of "global governance". True, there exist problems that can be solved simply by coordination, as for instance in the development of international standards which serve the interests of all. In most cases, however, conflicts of interest are involved. Where the genetic structure of a problem differs from its impact structure, different countries have different and often even contradictory interests when it comes to making regulatory decisions aiming to solve the problem. Familiar examples are the conflicts between those who benefit from modern forms of production and exploitation of natural resources and

from the transnational expansion of legal and illegal trade, and those who mainly bear their costs or suffer from their negative side-effects.

Conflicts of interests are ubiquitous in social life, and there are three basic ways of dealing with them: you can leave their solution to the power struggle between the conflicting parties, you can impose a solution by hierarchical authority, and the conflicting parties can try to find a consensual solution through negotiation. The very fact that we do have institutions of global governance implies that, at least in principle, we reject the evolutionary solution of brute fighting and survival of the fittest. In fact, global governance is not only dictated by direct national interests in solving certain problems, but also by a new sense of collective involvement in, and collective responsibility for, global developments. There is a growing feeling that we should not just sit by and watch when hostile countries threaten each other with war or when famine endangers the survival of millions.

However, the opposite of the evolutionary solution, hierarchical authority in the form of a global Leviathan, is not available. There exists, and for a long time to come there will exist no world government, no supranational authority that can impose problem solutions. Even in the Security Council of the United Nations, decisions are first negotiated, and then ratified by majority voting. Much the same is true of most international organizations. International intergovernmental organizations in particular typically arrive at decisions through an open or a hidden process of negotiation among the member states whose representatives make up their directive bodies. In fact, these organizations often resemble institutionalized negotiating systems much more than a corporate actor, an authority that is able to make binding decisions that are not simply the result of a compromise arrived at by negotiation among member states (Reinalda/ Verbeek 1998; Mayntz 2002). International regimes are even more clearly and quite openly compromise solutions arrived at by negotiation. And the transgovernmental regulatory organizations such as the Basle Committee or the IOSCO are again negotiating systems, networks of government officials or representatives from specialized agencies such as central banks that try to find expert solutions for special, and often quite technical, collective problems (Slaughter 2000). Taken together this means that processes of negotiation are at the heart of global governance.

As is well-known, negotiations tend towards compromise solutions, if they are not blocked completely by the inability to find consensus (Scharpf 1993). The problem solving effectiveness of decisions arrived at by negotiation depends heavily on the composition of the negotiating system, on the orientation of the participating actors, and on the power distribution among them. Let us look at these conditions in turn.

International organizations are by definition open to potential members from all over the world. In the case of international governmental organizations, this applies specifically to states. In fact, the institutions of global governance offer nation-states the best opportunities to participate in making policy decisions.

However, membership in international organizations may be tied to meeting certain conditions which not all nations meet, and can thus be more or less restrictive. This may mean that precisely those countries suffering most from a given collective problem are excluded from the negotiations. Possibly just as distorting is the fact that in many cases, neither those causing certain negative externalities nor those suffering from them participate directly in the negotiations. It is, after all, not necessarily the states as such that produce and suffer from

collective problems, but certain groups of actors such as pharmaceutical firms or unskilled workers. Some of these groups are not organized and are therefore unable to participate in negotiations, but even where a given category of actors is organized at the international level, they must often rely on states as advocates of their interests.

What are the goals pursued by states in collective decision processes? Collective decisions often imply restrictions for at least some of the actors to whom they apply. Supra- and international bodies impose norms, standards, and at times even sanctions on individual states. The United Nations Security Council, World Bank, World Trade Organization, and the International Monetary Fund can in this way affect national interests considerably. Nation states will therefore try to influence the decisions of international institutions, arguing against rules they find restrictive rather than helpful, and trying to push for decisions which benefit their own interests.

But the extent to which they succeed depends to a good deal on their power. Powerful states often enjoy a privileged position in the decision making bodies of international organizations. Whether they can formally veto a decision that goes against their interests or not, powerful states will oppose collective decisions forcing them to abstain from actions that contribute to some problem such as global warming, if these actions serve their particularistic interests. Weak states, on the other hand, can be more easily forced to abstain from certain problem-producing activities such as producing heroin, possibly even without receiving an adequate compensation. The bigger, richer, and more powerful states can more easily push collective decisions to serve their own particularistic interests than small and weak states, whether their interest is to gain some economic advantage or to cope with a problem such as illegal immigration. Power inequalities limit the problem solving capacity of global governance whenever powerful states dominate in the genetic structure, and weak states dominate in the impact structure of some problem.

Asymmetric power relations in global governance are a generally well recognized fact, and they are often attacked publicly by the critics of globalization. What is easily overlooked in this critical discourse is the substantive nature, the content of the interests states will pursue in processes of collective decision making. States presumably represent their "national interest" in international negotiations, but this "national interest" is not necessarily identical with the general welfare, the *bonum commune* of their countries. This is, of course, an elusive concept anyway. As often as not, the so-called "national interest" is in fact the interest of some particularly powerful national lobby. While this is generally true, there are still important variations between states in the extent to which the interests they pursue reflect the common needs of all groups and strata in their countries. When we talk of nation states, we implicitly tend to think of the kind of state that has developed over the past three hundred years in Europe and America - states which are sovereign legislators, disposing of the resources and sanctioning powers to carry through their policies, where political decisions are democratically legitimated and policy aims to serve the population at large.

But this is not a very realistic image of the states existing in Sub-Saharan Africa and in parts of Asia, and not even of all states that emerged out of the ruins of the former Union of Soviet Republics. In many formally sovereign countries we observe the decay of former state structures, or the inability to build them in the first place. In a number of African countries, traditional clan structures have again become dominant and rival militias fight for dominance, meanwhile ruining the country's economy and driving parts of the population into exile (von

Trotha 2000, van de Walle 2001). These countries are characterized by an extreme inequality between small elites acting in their own short term interests, and a large and poor population characterized by high fertility and low life expectancy. National economic resources remain undeveloped, the currency is often overvalued, tariffs are high, and markets closed off. Whether dominated by competing war lords or a dictatorial leadership, the internal structure of these countries keeps them in a low equilibrium trap, shutting them off from the potential growth effects of a globalizing economy. The investments of multi-national corporations, after all, go mainly to stable democracies with good infrastructures and a skilled workforce.

The role that states such as these play in global governance differs in many respects from the role played by the “normal” OECD states. Countries without effective state structures are often unable to comply with international norms and the demands of international organizations, but as often their rulers are not willing to do so (Grande 2001). And while the goals which their representatives articulate in international negotiations – economic development and the decrease of poverty – are in fact in the interest of their countries, the problems they expect global governance to solve are not only, and often not even primarily caused by globalization. There is of course no doubt that international trade policy contributes to the plight of many underdeveloped countries, and so do natural catastrophes like floods and droughts. But in a number of African and Asian countries it is to a large extent their own political structure and political economy, and last not least their own agricultural policy, that lies at the root of their deprivation. At the much publicized FAO conference in Rome in June 2002, this has in fact been openly recognized.

It is thus not true that only problems which individual nations are unable to solve by themselves, problems caused by outside forces, are put on the agenda of international organizations. Some underdeveloped countries put also their home-made problems on the agenda of international organizations and conferences, while they often use development aid, World Bank credits, and money from the IMF to serve the economic and power interests of their small ruling elites. The complaints about rampant corruption, about money never arriving where it is needed, and of money used for spectacular projects that serve the national prestige, not the national economy, are indicative of this sad state of affairs. Of course this is partly a consequence of misguided international aid and development policies. But changing these policies, changing for instance the eligibility criteria for financial aid will not go to the root of the problem.

It is of course true that the social and economic problems from which countries suffer are always partly home-made. This also applies to the countries of the OECD world, where demographic developments, an over-ambitious welfare system, and a misguided labour policy may depress economic growth and cause unemployment. Global governance, however, is meant to help countries cope with problems inflicted upon them from the outside. If the institutions of global governance were seriously called upon to deal with the home-made problems of individual countries, they must intervene into their internal political and social structure. This is what one might concede to a genuine world government; our present global governance institutions are not designed for such interventions.

But let me return to the effects of global governance upon states that conform more or less to the ideal image of modern Western democracies. In countries with effective state structures and an educated and informed electorate, national and international policy making is closely intertwined. By and large, there is readiness to comply with international norms, but since this

is so, efforts are made by national policy-makers to anticipate the effect of such norms on the affected groups in their own country whose interests they wish to pursue in international negotiations. Of course national representatives must be ready to compromise in order to arrive at a collective decision that takes the possibly very different interests of other countries into account. They are thus continuously involved in what Robert Putnam has called “two-level games” (Putnam 1988). In a two-level game, the “players”, i.e. the national representatives must take both the interests of their national clientele and the need to arrive at a collective decision into account. This is not only a constraint on their actions, but also offers them the opportunity to form vertical coalitions. In this way, domestic resistance to a policy may be overcome by pointing to binding international decisions in its favour, decisions to which the country in question had to agree in the course of international negotiations. In this way, multi-level policy-making has repeatedly worked in favour of the adoption of policies serving ecological and humanitarian values, and has also helped in the implementation of international policies.

This may be all to the good. But with the intensification of cooperation in the vertical dimension, i.e. the linkage between national and international policy-making, the internal cohesion of national governance is exposed to centrifugal forces. The national representatives in international organizations speak rarely for the government at large, but rather for a given ministry, agency, or more or less autonomous national institution such as central banks. Traditionally, these subunits of national governance cooperate horizontally and develop their policies through negative or positive coordination. But as more and more important policy decisions are taken at the international level, vertical relationships become dominant, and horizontal coordination becomes more difficult. Member states of the European Union have confronted this problem increasingly over the past years, and have developed new coordination procedures to overcome it. As global governance becomes more important, intra-state coordination may become a major new challenge.

The relationship between national states and global governance has many aspects; it is in reality much more complicated than the picture I have tried to draw. But if it is true that “the nation state remains the center of political action, social solidarity, and personal identity”, as Harold Wilensky has recently put it (Wilensky 2002, 667), it is also true that the pressures for global governance are there to stay. And even if some powerful country may try at times to go it alone, the increasing regionalization of which the European Union is only the most advanced manifestation will work against the perpetuation of present power asymmetries and in favor of the development of a truly global, multi-level political structure. This is why even today, national policy-makers are wise to reflect on the relationship between national states and global governance.

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Biographical sketch

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