I would like to express my thanks to the Nuffield Foundation, the Center for European Studies at Harvard University, and the Max-Planck-Institut für Gesellschaftsforschung (Cologne) for financial and logistical support during the writing of this chapter. I am particularly grateful to Jill Gross, Jim Mosher, Craig Murphy and Michael Shalev for their extremely helpful comments, along with other discussants of earlier drafts at the annual conference of the Belgian-Dutch Association for Institutional Economics, Antwerp (November 1998), the annual conference of the Political Studies Association of the United Kingdom, Nottingham (March 1999) and the joint sessions of workshops of the European Consortium for Political Research, Mannheim (March 1999).
Globalization is usually presented as a primarily socio-economic phenomenon; political variables are seen as dependent rather than independent. In contrast, this chapter surveys a range of political aspects of globalization and argues that they constitute independent variables promoting, accelerating and shaping globalization in ways exogenous social and economic variables cannot. In particular, the capacity of political actors to act as political and institutional entrepreneurs is crucial to the way complex structures of governance will be generated in the 21st century. In Section I, globalization is situated in the wider context of historical political change. Section II looks at a range of changes taking place in the underlying structure of the public/private goods equation and at how these changes are impacting on the patterns of constraints and opportunities faced by agents in the globalization process. Section III evaluates processes of change occurring within the single most important institutionalized structure of the modern era—the transformation of the state from the national Industrial Welfare State to the Competition State. Section IV focuses on strategically situated actors in the political globalization process. Given the increasing openness of the structure of world politics to pressures for a paradigm shift, the way such strategically situated agents shape the globalization process will constrain the range of potential outcomes that might eventually be locked into an increasingly globalized world.
Globalization is usually presented as a primarily socio-economic phenomenon manifested in structural changes in the scope and scale of cultural change, global capital flows and the like. In this light, political variables are seen as dependent rather than independent. In contrast, this chapter surveys a range of political aspects of globalization and argues that they involve independent factors promoting, accelerating and shaping globalization in ways exogenous social and economic variables cannot. In effect, political variables are the key independent variable generating globalization at the turn of the century. In other words, the range of multiple equilibria or alternative potential outcomes presented by those complex processes of internationalization and transnationalization which constitute globalization are very wide. How these processes will interact in path-dependent fashion is uncertain. In these conditions, political structuration is the primary independent and intervening variable driving and shaping the overall process. In particular, the capacity of political actors to act as political and institutional entrepreneurs is crucial to the way complex structures of governance, weaving together the new and the old, will be generated in the 21st century.

In Section I, globalization in situated the wider context of historical political change. Section II looks at a range of changes taking place in the underlying structure of the public/private goods equation and at how these changes are impacting on the patterns of constraints and opportunities faced by agents in the globalization process. Section III evaluates processes of change occurring within the single most important institutionalized structure of the modern era—the transformation of the state from the national Industrial Welfare State to the Competition State. Section IV focuses on strategically situated actors who may have the potential to become institutional entrepreneurs in the political globalization process—a stylized survey of the universe of economic, political and social agents who may be more or less likely to have an impact on this process, directly or indirectly, proactively or inadvertently. Given the increasing openness of the structure of world politics to pressures for a paradigm shift, the way such strategically situated agents shape the globalization process will constrain the range of potential outcomes that might eventually be locked into an increasingly globalized world.

Traditional International Political Economy was concerned primarily with economic relations among states in the international system—i.e., with foreign economic policy, with trade relations, with the international monetary system, and with political aspects of the internationalization of production. These issue-areas, of course, could not be treated purely in terms of intergovernmental relations, but were also intimately linked with aspects of domestic policy in these and related areas—trade regulation and protectionism, domestic monetary and fiscal policies, industrial policy, labour migration and the like. Nevertheless, to the extent that there was a distinctive way of looking at and understanding the subject matter of IPE, it tended to be an uneven mixture of interstate relations of a

1. I am grateful to Jim Mosher for informing me that this can be expressed in the equation $G = i + t + (i \times t)$—in other words, globalization (as a process, not an end-point or state of affairs) is the sum of (a) processes of internationalization (the increasing range and density of interdependencies among states), (b) processes of transnationalization (the increasing range and density of linkages among behind-the-border actors cutting across states) and (c) the interaction effects of (a) plus (b). In other words, globalization is the result of (at least) three-level games, not two-level games. A more complex version of this definition might be developed further to include discrete changes at the domestic level, as I will argue later in this chapter.
"realist" kind, on the one hand, and domestic bureaucratic and pressure group politics, on the other. In this sense, International Political Economy was studied much in the same way foreign policy was studied, although in the case of IPE, there was usually a much larger role for domestic "sectional" interest group pressures and therefore for distributional, cost-benefit politics rather than the symbolic politics of foreign policy (cf. Rosenau, 1963 and Schattschneider, 1974 [1935]).

Traditional IPE was therefore concerned mainly with political aspects of the economic nitty-gritty. It did not waste much time on paradigmatic issues about the nature of society, the theoretical relationship between politics and economics in general, the "good society" or the philosophical problem of the state. However, in recent years all this has changed. International Political Economy today addresses all of these questions, and more. The main reason for this transformation is a growing realization amongst both academics and practitioners in the private as well as the public sector that the nation-state can no longer be taken for granted as the dominant structural template of either domestic or international politics today. Today, the predominant theoretical focus of IPE is on new forms of state theory—as state theory, too, must increasingly concern the international and transnational dimensions of the state that are at the heart of the new IPE. Thus state theory is being reconceptualized through its interaction with International Political Economy, changing our ideas about how the political arena itself is being restructured in its global context. This chapter will address some of the directions this reconceptualization is taking. The main conclusion is that while the nation-state and the states system are undergoing a significant restructuring process, no particular set of agents is yet at the wheel of control—although the potential scope for action by political and institutional entrepreneurs is growing. Therefore several alternative routes and patterns of change—from above and below, intended and unintended, incremental or more far-reaching—are still open.

I. Transforming the State-Based Order

The nation-state has constituted the dominant structured field of action for both domestic and international politics ever since the transition from feudalism nearly half a millennium ago (Cerny, 1990). When the sovereign nation-state emerged the winner in the post-medieval struggle between competing alternative institutional forms, it is said to have had considerable comparative structural advantages over its main rivals, the (mainly Germanic) city-league and the (mainly Italian) city-state (Spruyt, 1994). Those advantages were, firstly, that the state quickly became a more efficient arena for the organization of endogenous collective action than the others, especially with regard to integrating powerful new political and economic interest groupings which were on the ascendancy during that era; and, secondly, that states were relatively more efficient organizational vessels for the negotiation and maintenance of credible commitments amongst the exogenous universe of embryonic political units than the others, whether for threatening (and making) war or for keeping the fragile peace that emerged in the Westphalia settlement of 1648. The "Janus-faced" state, it has been called, after the Roman God with two faces whose image was put on the gates of ancient cities—one face looking inwards to guard the welfare of domestic society, the other face looking outward to protect the city from attack. This dual, "inside/outside" character of the nation-state would prove to be its great strength as an organizational form in a world which was rapidly changing from one of multilayered but still essentially parochial economic (and political) relations to one of translocal trade, mercantile capitalism, competing royal bureaucracies and the expansion of European empires world-wide.

Internally, states became the privileged arenas of politics. Control over territory and increasingly well-delineated geographical boundaries defined the limits of each—mutually exclusive—"political system". When social and economic groups have sought to pursue their interests in the public arena, they have done so by targeting the institutions and processes of one overarching political order—the state in which they happened to be physically located. When powerful individuals and groups have sought to institutionalise their dominance, they have legitimised and embedded their power in and through the political institutions of the state. When broad-based, mass groups have claimed new rights, equality, prosperity and greater security, they have done so by demanding democratic accountability and redistributive public policies from and through national states (Cerny, 1999c). And when political philosophers have defined normative social and political values such as justice, civic virtue and the public good, they have expected these to be embodied in better, fairer, or more just states—situation which is only just beginning to change on the eve of the
new millennium.

Externally, states have not been mere mutual antagonists in an unorganized world. In the first place, relations between states took on a systematic character because powerful forces within each state, starting in Europe, recognized their potential mutual vulnerability in a hostile world. Through expanding diplomatic relations and standards of behaviour, through a desire to be free from outside interference and yet have access to the benefits of cosmopolitan culture and foreign material goods, and through a competitive interdependence which fostered both interstate rivalry and a common Western hegemony over the rest of the world, European and later other elites secured their power as much through international ( interstate) relations as through domestic consolidation (Kennedy, 1988, ch. 3). And they drew middle-class and later working-class groups into these "national culture societies" (Znaniecki, 1973 [1952]) by imposing national languages, taxation, military conscription, the development of national markets and ultimately liberal democracy based in national political institutions, all of which reinforced the capabilities of these evolving units to act more effectively in their foreign relations too. Occasional wars, revolutions, and the changing balance of power further entrenched the interstate character of the international system, while at the same time allowing it to adjust to a fluctuating and evolving range of social, political and economic pressures and structural changes, both old and new.

Despite its long gestation and organizational durability, however, the modern nation-state as we have known it represents only one particular kind of governance structure among many possibilities. In the broad sweep of history, of course, many kinds of societies and forms of political organisation have existed in the world, from isolated village societies and more outward-looking city-states, to traditional empires and looser leagues and confederations, as well as to the more hierarchically structured states of the modern world.2 Furthermore, although most modern political philosophers since Machiavelli have seen the future of the "good society" to lie in national consolidation and state institutionalization, others such as Grotius and Kant have suggested that a more internationalist, cosmopolitan world order might be possible. And finally—like the cross-cutting and overlapping social bonds and authority relations of the Middle Ages—a range of factors including ethnic and religious ties, multiculturalism, transnational communities and the internationalization of production, consumption and finance have fostered the emergence of a vast range of alternative sources of economic advantage, political influence and social identity. Only in the Second Industrial Revolution did the modern nation-state develop the range of socio-economic functions we are accustomed to seeing today, when mass production and modern industrial enterprises (Rupert, 1995; Chandler, 1990), the Weberian bureaucratic revolution in both public and private sectors, and mass politics brought together a range of structural elements conducive to the development of the Industrial Welfare State of the mid-20th century (Cerny, 1995).

Whereas these alternative orders have long been debated in theory and practice—after all, medieval Christendom itself represented a cosmopolitan order, and nationalist revolutions from below have often been about many things other than the nation-state per se—it is only when the state itself can no longer effectively carry out its dual institutional role as arena of collective action and source of credible commitments that such possibilities have any chance of being realized in practice. Of course, it is unlikely that states will become entirely redundant or disappear; after all, the nobility and the Church did not disappear when feudalism declined (Mayer, 1981). At worst they will be caught up in webs of power that limit or transform their activities by altering the context within which they exist and operate. Nevertheless, the prospect of significant transformation has been opened up in the second half of the 20th century by "globalization". Globalization, I have argued, is not an end state. It is a process (or a complex set of processes) made up of the addition or cumulative results of denser relations among states ("internationalization"), denser relations cutting across states ("transnationalization"), and the interaction effects of the two with each other.

This transformation, I suggest, has three main interlocking dimensions. The first and most obvious dimension involves a change in the character of the state's domestic tasks, roles and

---

2. The word "modern" is used here as historians would use it, i.e. to denote a long period lasting from around the 17th century to sometime in the 20th.
activities. This basically involves the way so-called "public goods" are perceived, pursued and provided (Cerny, 1999b). The notion of the "public interest" as it was understood in the period of the "high" modern nation-state, especially since the advent what Karl Polanyi (1944) called "The Great Transformation", is undergoing dramatic changes. In particular, the aim of social justice through redistribution has been challenged and profoundly undermined by the marketization of the state's economic activities (and of the state itself) and by a new embedded financial orthodoxy (Cerny, 1990: epilogue; Cerny, 1994a). These changes not only constrain the state in its economic policies (Cerny, 1996), but also alter people's understanding of what politics is for (Cerny, 1999a) and challenge the political effectiveness of the national liberal democratic political systems which are supposed to represent what the people want (Cerny, 1999c).

The second dimension involves a fundamental reorientation of how states interact economically with each other. Rather than perceiving the international tasks, roles and activities of the state as stemming from traditional "inside/outside" concerns, state actors (politicians and bureaucrats) are increasingly concerned with promoting the competitive advantages of particular production and service sectors in a more open and integrated world economy (Cerny, 1999d). They do this not only in order to produce collective economic gains, but also to build new coalitions and expand the scope and reach of their power and influence. In pursuing international competitiveness, states—or, more to the point, a range of state agencies closely linked with those economic sectors most closely plugged into the world economy (Cerny, 1995) accept and indeed embrace those complex interdependencies and transnational linkages thought to be the most promising sources of profitability and economic prosperity in a rapidly globalizing world.

The final dimension concerns the relationship between structure and agency—in other words, the individuals and groups who actually bring these changes about, directly or indirectly, intentionally or unintentionally. This does not merely concern those global ideologists in business studies, important as they are, who declare that we live in a "borderless world", nor just the rapid growth of transnational pressure and interest groups like Greenpeace who focus on the problems of "the planet". It also involves strategic action across both public and private domains not only for more concrete competitive advantages in the world marketplace but also for reshaping social and political institutions to reflect new distributions of power and resources ("distributional changes") and new ways of looking at the world ("social epistemologies"). In this process, for example, the focus of the economic mission of the state has shifted considerably from its traditional concern with production and producer groups to one involving market structures and consumer groups, and from its understanding of the state as a "decommodifying agent" to one as a "commodifying agent" (Cerny, 1990). Later in this chapter, I will focus on three alternative types of potential "institutional entrepreneurs"—economic, political and social—and suggest the strengths and weaknesses of each given the current structural context in which they are acting.

These three dimensions, I suggest, add up to a profound challenge to the traditional structures both of the domestic nation-state and of the interstate system, undermining key aspects of the previously symbiotic relationship between the two. Thus we should not expect the nation-state to wither away; indeed, in some ways it will continue to expand and develop its tasks, roles and activities. The crucial point, however, is that those tasks, roles and activities will not just be different, but will lose much of the overarching, macro-political and philosophical character traditionally ascribed to the effective state, the good state or the just state, all of which concepts have assumed a level and quality of internal coherence and of difference from the external "other" that the state's most essential—and most ideologically and culturally legitimate—task has been to protect. Future structural developments will be the product of an increasingly transnational, cross-cutting structure of micro- and meso-interdependencies, partially mediated through the state but with their own autonomous dynamics too. The state can attempt to manipulate and influence these but cannot fundamentally change them. In the long run, state actors must adapt their own strategies to perceived global realities, while other kinds of actors, economic and social, will play key roles too in restructuring the political arena (Cerny, 1999a).

II. Problematizing the State: The Shifting Structure of Public Goods

The power structure of a globalizing world inevitably becomes increasingly complex and diffuse, diffracted through a prismatic structure of socio-economic forces and levels of governance—from the global interaction of transnational social movements and interest/pressure groupings, multinational corporations, financial markets, and the like, on the one hand, to the re-emergence of subnational and cross-national ethnic, religious and policy-oriented coalitions and conflicts of the type familiar in domestic-level political sociology, on the other. World politics—i.e., both domestic politics and international relations, taken together—is being transformed into a “polycentric” or “multinucleated” global political system operating within the same geographical space (and/or overlapping spaces) analogous to the emergence of coexisting and overlapping functional authorities in metropolitan areas (Ostrom, Tiebout and Warren, 1961).

The underlying governance problematic in such multilayered and asymmetrical political systems is at least twofold: in the first place, it becomes harder to maintain the boundaries which are necessary for the efficient “packaging” of public or collective goods; and in the second place, it becomes harder to determine what collective goods are demanded or required in the first place—i.e., even to measure what is the “preferred state of affairs” (ibid, pp. 832-5). State actors themselves—although they continue to have a range of significant economic, financial, political and bureaucratic resources at their disposal and are still crucial actors in regulating particular economic and social activities—paradoxically act in routine fashion to undermine the holistic and hierarchical character of traditional state sovereignty, authority or potestas (Cerny, 1999d)—a “hollowing out of the state” (Jessop, 1997). The result is a growing “privatization of the public sphere”, not only by selling off or contracting out public services and functions, but in the deeper sense of reducing society itself to competing “associations of consumers” in which administrators are little more than buyers in competing corporations (Ostrom, Tiebout and Warren, 1961, p. 839). The state shifts from being essentially a “civil association” to an “enterprise association” (Oakeshott, 1976; Auspitz, 1976; Cerny, 1995).

Now such privatization, marketization or commodification of the state is not something exclusive to globalization; indeed, globalization is often seen as just one of a number of wider “exogenous factors” at work in transforming the nature of governance today, also including decentralization, fiscal constraint, distrust of government, increasing participation (functional representation) by special interests, and the like (Peters, 1997). Yet the rediscovery of the role of states historically in promoting markets, and more recently the popularization of such notions as “competitive governments” (McKenzie and Lee, 1991), “entrepreneurial government” (Osborne and Gaebler, 1992), or the “competition state” (Cerny, 1990, ch.8 and 1999d)—along with the emergence of the “new institutional economics” and the development of the concept of governance in the theory of the firm (Williamson, 1975 and 1985)—have changed the terms of institutional discourse. The distinction between “state” and “market” has not simply blurred; the goalposts have changed too.

More than that, both state and economic institutions have been shown to consist of mixtures of hierarchical and market-like characteristics. In an era when markets, production structures and firms increasingly operate in the context of a cross-border division of labour, can the state any longer remain a structure apart? Today, public policy and management analysis is increasingly focusing on what has been called the “post-modernist critique” of “the existing public sector paradigm” (Prowse, 1992). Such concerns cut across democracy and deal directly with the potential for market-like behaviour in the state apparatus itself—the “commodification” or “marketization” of the state per se, both in its endogenous structure and behaviour and in its mode of economic “intervention”. They also cut across, as does Reich (1991) in the economic literature, the concept of the state as a territorial unit. Similarly, literature on neo-corporatism has shifted its ground from “peak-level” tripartism—the original focus of pioneering writers like Schmitter (1974)—to the more diffuse sectoral and local corporatist forms known as “meso-” and “micro-corporatism” (Cawson, 1985; Cerny, 1990, ch. 6) or even to

4. The “prismatic society” concept was first developed and applied to complex domestic political systems by Riggs (1964).
firm-level "entrepreneurial corporatism" (which, according to Robert Cox [1986], is the product of the transnationalization of social forces). Phrases like "public-private partnership", or the promotion of "competitive advantage" (as distinct from comparative advantage: Zysman and Tyson, eds., 1983; Porter, 1990), have moved from the world of academic analysis into the rhetoric and programmes of politicians on both right and left.

This combination of structural trends, I suggest, involves a reassessment of the conception of public or collective goods in a globalizing world. Collective goods are those from the enjoyment or use of which insiders cannot be excluded, requiring authoritative mechanisms for identifying and excluding outsiders (Olson, 1965; Ostrom, Tiebout and Warren, 1961; Ostrom and Ostrom, 1977)—a classic task of hierarchical governments (states). Complex systems, in contrast, are characterized by "overlapping memberships" and "cross-cutting affiliations" (Cerny, 1993). In the international/transnational/global context—whether we look at states and state actors, multinational corporations, interest groups, and/or individuals—their tasks, roles and activities cut across the different levels and structures discussed earlier. Without the state and its authoritative capacity to enforce the rules of the game, transnational complexity would seem to imply instability. Thus the key to understanding the shape of new and complex governance structures in the global era lies in the way economic competition is changing in the world. Many of what were thought to constitute collective goods at the time of the Second Industrial Revolution are either no longer controllable by the state because they have become transnational in structure and/or constitute private goods in a wider world marketplace.

In terms of etymology, political philosophy and everyday political language, the idea of what is public is essentially normative: it denotes matters that people think ought to be treated as common or collective concerns, as distinct from what ought to be left to individuals or private groups to decide and/or do for themselves. Today, the heart of political debate is about choosing among competing conceptions of what should be treated as public and what should not. In contrast, the economic theory of collective goods argues that only what is most efficiently organized and run publicly (i.e. which provides the best possible product at the lowest possible cost when organized according to the definition set out below) ought to be so organized and run. In the economic theory of collective goods (e.g., Olson, 1965), the main issue is indivisibility, on two levels: goods are truly "public" when both the structure of production and the structure of consumption lead to conditions of indivisibility.

The first condition, concerning the structure of production, is referred to as "jointness of supply". This concerns the extent to which technological economies of scale in production plus the structure of transactions costs mean that large factories, long production runs, etc., make collective provision through hierarchical management structures (usually seen in political terms as involving an existing governmental structure, i.e. municipal, regional or national) more efficient than private or free-market provision—as is said to be the case with so-called "natural monopolies". In a globalizing world, however, such calculations become more complex. In some industries, goods that once may have been most efficiently produced on a collective basis (especially on a national scale) may nowadays be more efficiently organized along lines which imply larger, transnational optimal economies of scale, making traditional "public" provision unacceptably costly and uncompetitive; whereas in other cases, technological change and/or flexible production may actually reduce optimal economies of scale, turning such goods effectively into private goods, which also are increasingly produced and traded in a global rather than a national marketplace.

With regard to consumption, economists refer to the criterion of "excludability". Public goods are by definition "non-excludable", which means that collective provision has to be organized in such a way as to prevent non-paying users (so-called "free riders") from making the provision of the good too expensive for the rest—that is, such goods must be financed through forced payments (taxes). Again, in a globalizing world it has become increasingly difficult to exclude non-paying users (free riders) from outside national boundaries from benefiting from nationally-provided collective goods in ways that are unacceptably costly in terms of domestic politics and public policy. Thus with regard to both production and consumption, it is becoming more and more difficult to maintain the sort of public or collective boundaries necessary for efficient state provision of public or collective goods.

Different categories of collective goods have different kinds of normative and economic characteristics. I refer to four such categories: regulatory, productive, distributive and redistributive
collective goods (adapting the categories developed by Lowi, 1964). Each of these categories has been transformed by the structural changes associated with globalization and the other economic and political trends that are inextricably intertwined with globalization. For example, the Third Industrial Revolution has profoundly altered the conditions of supply of all types of goods—public, private and mixed (goods with mixed characteristics are referred to by various labels such as club, toll, common-pool, etc.)—through differentiation and flexibilization within production processes, "lean" management structures, and the segmentation of markets, while the globalization of finance has increasingly divorced financial capital from the state. In this context, political control, stabilization, regulation, promotion, and facilitation of economic activities have become increasingly fragmented.

The first category, regulatory collective goods, involves the establishment of a workable economic framework for the ongoing operation of the system as a whole, involving the establishment and application of rules for the operation—and interaction—of both market and non-market transactions and institutions. Typical regulatory goods include establishment and protection of private (and public) property rights, a stable currency system, abolition of internal barriers to production and exchange within the national market, standardization of a range of facilitating structures such as a system of weights and measures, a legal system to sanction and enforce contracts and to adjudicate disputes, a regulatory system to stabilize and coordinate economic activities, a system of trade protection, and various facilities which can be mobilized to counteract system-threatening market failures (such as "lender of last resort" facilities, emergency powers, etc.). Real or potential inefficiencies in the provision of regulatory collective goods can have exceptionally wide ramifications, because their provision in and of itself can be said constitute a sort of "collective collective good" given the role of regulation as a framework within which not only other collective goods, but also private goods, are produced and supplied. Regulatory collective goods, therefore, are inextricably intertwined with the very foundations of the capitalist state.

In a world of relatively open trade, financial deregulation, and the increasing impact of information technology, however, property rights and other basic rules are increasingly complex for states to establish and maintain. For example, cross-border industrial espionage, counterfeiting of products, copyright violations and the like made the multilateral protection of intellectual property rights a focal point of international disputes and a controversial cornerstone of the Uruguay Round negotiations. Furthermore, international capital flows, the proliferation of offshore financial centers and tax havens, etc., have made the ownership of firms and their ability to internally allocate resources through transfer pricing and the like increasingly opaque to national tax and regulatory authorities. Traditional forms of trade protectionism are both easily bypassed and counterproductive. Currency exchange rates and interest rates are set in rapidly globalizing marketplaces, and governments attempt to manipulate them often at their peril. Legal rules are increasingly evaded. "soft law" becomes more and more important, and attempts to extend the legal reach of the national state through the development of extraterritoriality are generally ineffective and hotly disputed. In this context, the ability of firms, market actors, and competing parts of the national state apparatus itself to defend and expand their economic and political turf through activities such as transnational policy networking and regulatory arbitrage has both undermined the control span of the state from without and fragmented it from within.

The second and third categories of collective goods involve various specific directly or indirectly state-controlled or state-sponsored activities of production and distribution—productive collective goods on the one hand, and distributive collective goods on the other. Although these two categories often overlap, and I have previously treated them as a single category (Cerny, 1995), the differences between them can be quite significant, as can be seen in recent theories of public policy, the "new public management", and "reinventing government" (see Ostrom, Tiebout and Warren, 1961, for an early example of this argument)—which are themselves closely linked with discourses of globalization. In line with the economic definition of public goods set out above, the concept of productive collective goods refers to the production of goods and services, whereas distributive collective goods involve the delivery of those goods and services.

With regard to productive collective goods, the validity of public ownership of politically, economically or militarily "strategic" industries, along with the establishment and maintenance of state monopolies in a range of public services, has usually been seen to derive from economies of scale and transactions cost savings in their production (although normative considerations have also played
a major political role for both nationalists and socialists). However, the interaction of the advent of flexible manufacturing systems and competing low-cost sources of supply—especially from firms operating multinationally—has been particularly important in undermining state-owned and parapublic firms, for example in the crisis of public ownership and the wave of privatisation of the 1980s and 1990s. Competitiveness counts for far more than maintaining an autonomous, self-sufficient national economy. Third World countries too have increasingly rejected Import Substitution Industrialization and embraced Export Promotion Industrialization—thereby imbricating their economies even more closely into the global economic order (Harris, 1986; Haggard, 1990). The same can be said for more traditional forms of industrial policy, such as state subsidies to industry, public procurement of nationally produced goods and services, or trade protectionism. Even social liberal economists nowadays regard the battle to retain the idea of the "national economy" to be lost, and see states as condemned to tinkering around the edges (Reich, 1991).

With regard to distributive collective goods, we are talking about the supply or provision of products and services to the public (or to different publics) on a collective basis, whether produced in the private sector or in the public sector. In contrast to productive collective goods, distributive collective goods are characterized less by their technical indivisibility—economies of scale and transactions cost economies deriving from "hard" production systems—and more by potential "soft" scale and transactions cost economies deriving from their management structures, on the one hand, and from the collective characteristics of their consumers rather than their producers, on the other. In recent years, policy-oriented economists have come to consider a much larger range of such goods as being appropriate for market or quasi-market provision. This changing perspective has resulted both from a reevaluation, on the one hand, of the nature of demand—the belief that "publics" are essentially collections of self-regarding consumers rather than embedded in like-minded or homogeneous social collectivities such as "workers"—and, on the other, from a belief that public sector hierarchies are inherently costly and cumbersome superstructures. In this sense, many of those basic public services and functions such as the provision of public health, education, garbage collection, police protection, certain kinds of transport or energy infrastructure, etc., which have been at the bureaucratic heart of the modern Industrial Welfare State, are being disaggregated and commodified in a range of experimental ways (Dunleavy, 1994; Osborne and Gaebler, 1992).

In this sense, distributive collective goods increasingly overlap with the fourth category, redistributive collective goods—the nature of which has always been seen to be even more fundamentally political, with their public and collective character deriving typically from political decisions about justice and fairness rather than from the economic efficiency (or inefficiency) of those public allocation mechanisms which they engender. Many of these goods are "collective" or "public" goods only because political decisions have been made (whether or not in response to public demand) to treat them as public for reasons of justice, equity or other normative considerations. Redistributive goods have included health and welfare services, education, employment policies, unemployment insurance and other benefits, systems for corporatist bargaining, environmental protection, and the like—indeed, the main apparatus of the national industrial/welfare state. Today, the provision of redistributive collective goods is changing dramatically. Corporatist bargaining and employment policies are under challenge everywhere in the face of international pressures for wage restraint and flexible working practices. Although developed states have generally not found it possible to reduce the overall weight of the welfare state significantly as a proportion of GDP, long-term structural growth in such expenditures has been checked and there has been a significant transformation in the balance of how welfare funds are spent—from the maintenance of free-standing social and public services to the provision of unemployment compensation and other "entitlement" programs, and from maintaining public bureaucracies to devolving and privatising their delivery (Clayton and Pontusson, 1998). And the most salient new sector of redistributive public goods, environmental protection, is particularly transnational in character; pollution and the rape of natural resources do not respect borders.

5. Traditionally, Europeans use the word "liberalism" to mean free-market, "19th century" liberalism, i.e. what Americans call "conservatism". Americans, in contrast, generally think of "liberalism" as centre-left, quasi-social democratic state interventionism. In order to clarify this lexical confusion, Australians use the phrase "social liberalism" for the latter.
The outer limits of effective action by the state in the changing collective goods context are usually seen in its relative capacity to promote a favourable investment climate for transnational capital by providing a circumscribed range of public goods or specific assets, described as "immobile factors of capital". These include: "human capital" (the skills, experience, education and training of the work force); infrastructure (from public transportation to high-tech "information highways"); support for new technology; provision of the basic public services necessary for a good "quality of life" for new elites and middle managers; and the maintenance of a public policy environment favorable to investment and profit-making by potentially "footloose" companies (whether domestic or foreign-owned) (Reich, 1991). Particularly central to this transformation, of course, has been the changing technological and institutional context in which all goods are increasingly being produced and exchanged—especially the rise of "post-Fordism", characterized by a wider process of industrial "flexibilization" (see Amin, ed., 1994). At the heart of flexibilization in both production processes and the structures of firms themselves has been the explosive development of information technology. This expanded monitoring capability leaps national borders and brings firms, markets and consumers into a single, global production process in an increasing number of sectors. In addition, as the trade and production structures of the Third Industrial Revolution evolve, they will be increasingly coordinated through the application of complex financial controls, rapidly evolving accounting techniques, financial performance indicators, and the like in both public and private sectors.

But these aspects of the Third Industrial Revolution—flexibilization of production, firm structure, and monitoring—only represent the supply side of the equation. The demand side involves the development of ever more complex consumer societies and the resulting segmentation of markets. The technological capacity to produce flexibly—the ability of business to produce at the appropriate scale—has combined with an increasing differentiation of the class system in advanced capitalist societies. Much of the Long Boom grew out of burgeoning first-time markets for such products as cars, so-called "white goods" (refrigerators, washing machines, etc.), or television sets. Customers coming back a subsequent time looking to buy new models, however, have demanded higher specifications and greater choice. Differentiating demand and flexible supply, then, converged on market segmentation—producing a wider range of variations on a particular product or set of product, with each variation targeted on a particular sub-set of consumers. This process has also created consumer demand for foreign-produced goods and has forced firms to internationalize. These pressures now apply to the provision of public goods by governments as well, with "choice" replacing standardized collective provision—and with consumers increasingly replacing producers as the key interest groups.

Thus the overarching, inclusive, multitasking, "civil association" character of politics and governance—the core of the modern nation-state—is under increasing pressure from both above and below, from new transnational economies of scale and from the disaggregation of national culture societies and political "publics" at home and abroad. Governance in the future will no longer look so much like "government". Structures and processes of governance must adjust to this multilayered and asymmetric reality, although the precise form it will take will only emerge historically, in path-dependent fashion. In this context, the discourse of globalization—still torn between the simplistic jargon of business management, on the one hand, and the limited political terrain of the competition state and fragmented international regimes, on the other—is still in the process of evolution and very much up for grabs.

6. The following draws on Cerny, 1995.
III. The State in the International Arena: Eroding the "Inside/Outside" Distinction

The crisis of the national Industrial Welfare State lay in its decreasing capacity to insulate national economies from the global economy—and from the combination of stagnation and inflation which resulted when they did try to do so. Today, rather than attempt to take certain economic activities out of the market—to "decommodify" them as the welfare state was organized to do—the competition state has pursued increased marketization in order to make economic activities located within the national territory, or which otherwise contribute to national wealth, more competitive in international and transnational terms. Despite the vulnerability of the welfare state model, however, national policy-makers have a range of potential responses, old and new, with which to work. The challenge of today's "competition state" is one of getting the state to do both more and less at the same time. Getting more for less has been the core concept, for example, of the "reinventing government" movement which is a major manifestation and dimension of the competition state approach (Osborne and Gaebler, 1992). The competition state involves both a transformation of the policy roles of the state and a multiplication of specific responses to change. In terms of policy transformation, several levels of government activity are affected.

The essence of these changes lies in the differential capacity of the state to promote distinct types of economic development, usually called "extensive" and "intensive" development. On the one hand, strong state intervention in the past—whether Soviet-style planning, import-substitution industrialization (ISI) in the post-independence Third World (i.e., creating domestic industries which would replace imports in internal markets behind protectionist barriers), or the fashion in the mid-to-late 20th century for the so-called "developmental state" based on export promotion industrialization (EPI), especially in Asia (Harris, 1986; Haggard, 1990)—has actually been extremely effective at times at promoting extensive development. Extensive development means finding and bringing in new exogenous resources and factors of capital (land, labour, physical capital like factories and infrastructure, and financial capital) to underdeveloped economies. Governments can help undermine feudal and peasant structures and use taxes, spending, regulation—and physical force—to channel investment, raw materials, labour, etc., away from non- or pre-industrial uses into capitalist industry and finance. That's how Germany developed at the end of the 19th century—what Barrington Moore (1967) called the "modernization revolution from above". But the potential drawbacks are obviously similar to those usually associated with ISI, in Latin America in particular—an emphasis on producing costly and increasingly technologically outdated goods which are already produced more cheaply elsewhere, featherbedding of labour and management, corruption and overbureaucratization, leading to a vicious circle of inefficiency, hyperinflation, and often state authoritarianism to keep the system going (Kemp, 1983).

On the other hand, state intervention is notably poor at promoting intensive development. Intensive development occurs mainly after extensive development (although they can occur simultaneously) and means improving the endogenous efficiency of production, investment and market structures and processes. As Adam Smith wrote, "to improve land, like all other commercial projects, requires exact attention to small savings and small gains ...". This involves continually improving the microeconomic efficiency, competitiveness and profitability of industry—even to the extent of regularly engaging in what Joseph Schumpeter (1939) called "creative destruction" of old capital and technology to make way for the latest cutting-edge production, financing and marketing methods. It means giving individual owners, managers and workers market-based incentives to involve themselves in a day-to-day process of improvement of the competitiveness of the firm, rather than acting parasitically or free-riding (as in the Soviet Union, for example). The developmental state, then, like Stalinist Russia and the authoritarian bureaucracies of ISI, worked for a while, but could not adjust to the requirements of intensive development, as demonstrated in the Asian financial crisis of 1997-98.

In today's world of the competition state, there have been fundamental changes in the ways in which states and economies interact. The interaction of transnationalization, internationalization and domestic restructuring has forced four specific types of policy change to the top of the political agenda: (1) a shift from macroeconomic to microeconomic interventionalism, as reflected in both deregulation...
and industrial policy: (2) a shift in the focus of that interventionism from the development and maintenance of a range of "strategic" or "basic" economic activities (in order to retain minimal economic self-sufficiency in key sectors) to one of flexible response to competitive conditions in a range of diversified and rapidly evolving international marketplaces, i.e. the pursuit of dynamic "competitive advantage" as distinct from the more static "comparative advantage"; (3) an emphasis on control of inflation and neoliberal monetarism—supposedly translating into non-inflationary growth—as the touchstone of state economic management and interventionism; and (4) a shift in the focal point of party and governmental politics away from general maximisation of welfare within a nation (full employment, redistributive transfer payments and social service provision) to the promotion of enterprise, innovation and profitability in both private and public sectors. In this context, there have been some striking similarities as well as major differences between leading capitalist countries.

Among more traditional measures is, of course, trade policy, including a wider range of non-tariff barriers and targeted strategic trade policies. The core issue in the trade issue-area is to avoid reinforcing through protection the existing rigidity of the industrial sector or sectors in question, while at the same time fostering or even imposing adaptation to global competitive conditions in return for temporary protection. Transnational constraints are growing rapidly in trade policy, however, as can be seen in the establishment of the North Atlantic Free Trade Area (NAFTA), the Asia-Pacific Economic Cooperation group (APEC), and the World Trade Organization (WTO). Two other traditional categories, monetary and fiscal policy, are perhaps even more crucial today, but here the key change is that relative priorities between the two have been reversed—tighter monetary policy alongside looser fiscal policy (mainly through tax cuts rather than expenditure) with more emphasis on balanced budgets. And exchange rate policy, difficult to manage in the era of floating exchange rates and massive international capital flows, is none the less still essential; however, it is increasingly intertwined with monetary and fiscal policy (Frieden, 1991).

Potentially more innovative, combining old and new measures, is the area of industrial policy (and related strategic trade policy). By targeting particular sectors, by supporting the development of both more flexible manufacturing systems and transnationally viable economies of scale, and by assuming certain costs of adjustment, governments can alter some of the conditions which determine competitive advantage: encouraging mergers and restructuring; promoting research and development; encouraging private investment and venture capital while providing or guaranteeing credit-based investment where capital markets fail, often through joint public/private ventures; developing new forms of infrastructure; pursuing a more active labour market policy while removing barriers to mobility; and the like. The examples of Japanese, Swedish and Austrian industrial policy have been widely analysed in this context.

A third category of measures, and potentially the most explosive, is, of course, deregulation. The deregulation approach is based partly on the assumption that national regulations, especially the traditional sort of regulations designed to protect national market actors from market failure, are insufficiently flexible to take into account the rapid shifts in transnational competitive conditions characteristic of the interpenetrated world economy of the late 20th century. However, deregulation must not be seen just as the lifting of old regulations, but also as the formulation of new regulatory structures which are designed to cope with, and even to anticipate, shifts in competitive advantage. In essence, deregulation is rarely a true reduction in regulation, but a form of re-regulation in which market-friendly regulations are substituted for market-controlling regulations (Cerny, 1991; cf. Vogel, 1996). Furthermore, these new regulatory structures are often designed to enforce global market-rational economic and political behaviour on rigid and inflexible private sector actors—to break up cosy cartels and expose sheltered, noncompetitive sectors—as well as to make state actors and agencies more market-minded in their decisions and structures. The institutions and practices of the state itself are thus increasingly marketized or "commodified", and the state becomes the spearhead of structural transformation to market norms both at home and abroad.

Although each of these processes can be observed across a wide range of states, however, there are significant variations in how different competition states cope with the pressures of adaptation and transformation. There is a dialectic of divergence and convergence at work, rather than a single road to competitiveness. The original model of the competition state was the strategic or developmental state discussed above, which writers like John Zysman and Chalmers Johnson
associated with France and Japan (Zysman, 1983; Johnson, 1982). This perspective identifies the
competition state with strong-state technocratic dirigisme and lives on in the analysis of newly
industrializing countries (NICs) in Asia and other parts of the Third World.

However, the difficulty with this approach has been that the scope of control which the
technocratic patron-state and its client firms can exercise over market outcomes diminishes as the
integration of these economies into global markets and the complexities of cross-national games
proceeds, as the recent Asian “financial meltdown” demonstrates. Beyond a certain threshold, even
the most tightly bound firms and sectors will be forced to act in a more autonomous fashion in order to
keep up with international competitive pressures. And as more firms and sectors become linked into
new patterns of production, financing and market access, often moving operations offshore, their
willingness to follow the script declines. However, there are distinctions even here. Within this
category, for example, the Japanese bureaucracy’s “administrative guidance” and the ties of the
keiretsu system which groups industrial and financial firms through interlocking shareholdings have
remained relatively strong despite a certain amount of liberalization, deregulation and privatization
(Vogel, 1996), whereas in France the forces of neoliberalism have penetrated a range of significant
bastions from the main political parties to major sectors of the bureaucracy itself (Schmidt, 1996).

In contrast, the orthodox model of the competition state today is not the developmental state
but the “neoliberal state” (in the European sense). Thatcherism and Reaganism in the 1980s
provided both a political rationale and a power base for the renascence of free-market ideology
generally—not just in the United Kingdom and the United States but throughout the world. The
flexibility and openness of Anglo-Saxon capital markets, the experience of Anglo-American elites with
international and transnational business and their willingness to go multinational, the corporate
structure of American and British firms and their greater concern with profitability and shareholder
returns rather than traditional relationships and market share, the enthusiasm with which American
managers have embraced lean management and downsizing, and the relative flexibility of the US and
UK labour forces, combined with an “arms-length” state tradition in both countries (Zysman, 1983), are
widely thought to have fought off the strategic state challenge and to have eventually emerged more
competitive today. Nevertheless, liberalization, deregulation and privatization have not reduced the
role of state intervention overall, just shifted it from decommodifying bureaucracies to marketizing ones
and from redistributive functions to enforcement ones.

Throughout the ongoing debate about the merits of the Japanese model versus the
Anglo-American model, however, a European model, rooted in the postwar settlement and given
another (if problematic) dimension through the consolidation of the European Community (now the
European Union), has been presented by many commentators as a middle way. In bringing labour
into institutionalized settings not only for wage bargaining but also for other aspects of the social
market, in doggedly pursuing conservative monetary policies, in promoting extensive training
programmes, and in possessing a universal banking system which nurtured and stabilized industry
without full-blown strategic state interventionism, the European neocorporatist or “coordinated
Einstein and transnational businesses in liberalizing economies. In both the latter

On one level, then, “[n]ational developments”—i.e., differences in models of state/economy
relations or state/societal arrangements—“have, then, driven changes in the global economy”
(Zysman, 1996). At another level, of course, states and state actors seek to convince, or pressure,
other states and actors such as multinational corporations or international institutions to adopt
measures which shift the balance of competitive advantage in their favour. The search for
competitive advantage thus adds further layers and cross-cutting cleavages to the world economy
which increase the complexity and density of networks of interdependence and interpenetration.
Finally, genuinely transnational, cross-cutting pressures can develop—whether from multinational
corporations or from nationally or locally based firms and other interests (such as trade unions) caught
in the crossfire of the search for international competitiveness—for the establishment or expansion of transnational regimes, transnational neocorporatist structures of policy bargaining, transgovernmental linkages between bureaucrats, policymakers and policy communities, and the like.

In all of these settings, then, the state is less and less able to act as a decommodifying hierarchy, taking economic activities out of the market. It must act more and more as a collective commodifying agent—putting activities into the market—and even as a "market actor itself. It is financier, middleman, advocate, and even entrepreneur, in a complex economic web not only where the frontiers between state and market become blurred, but also where their cross-cutting structures become closely intertwined and their behavioural modes become less and less easy to distinguish. Emerging political and economic structures are closely intertwined but not yet very clear, and the possibilities for multiple equilibria—for alternative pathways in the future—still quite fluid. Of course, states and markets have always been intertwined and mutually supporting. Indeed, the state still remains the central focus for consensus, loyalty, and social discipline—the "collective capitalist" (Holloway and Piccotto, 1978). But this role nowadays puts the state into an increasingly contradictory location. Not only is it more complicated for the state to act as a genuine "collective capitalist" within the traditional territorial confines of national society, but states are also increasingly quasi-market actors and commodifying agents themselves. In such complex conditions, the state is sometimes structurally fragmented, sometimes capable of strategic action—but increasingly caught up in and constrained by cross-cutting global/transnational/domestic structural and conjunctural conditions.

Under pressure from recessionary conditions in a relatively open world economy, first in the 1970s and then in the early 1990s, then, the problems faced by all capitalist industrial states have given rise to certain similarities of response—in particular, the shift from the welfare state model, nurtured by the long boom from the 1950s to the oil crisis of 1973-74, to a more differentiated repertoire of state responses to the imperatives of growth and competitiveness. However, despite these elements of convergence, significant divergences remain, for different states have different sets of advantages and disadvantages in the search for international competitiveness. They differ in endogenous structural capacity for strategic action both domestically and internationally. They differ in the extent to which their existing economic structures, with or without government intervention, can easily adapt to international conditions. And they differ in their vulnerability to international and transnational trends and pressures.

In this context, states are less and less able to act as "strategic" or "developmental" states, and are more and more "splintered states" (Machin and Wright, 1985). State actors and their different agencies are increasingly intertwined with "transgovernmental networks"—systematic linkages between state actors and agencies overseeing particular jurisdictions and sectors, but cutting across different countries and including a heterogeneous collection of private actors and groups in interlocking policy communities. Furthermore, some of these linkages specifically involve the exchange of ideas rather than authoritative decision-making or power-brokering—what have been called "epistemic communities" (Haas, 1992; Stone, 1996). In international terms, states in pursuing the goal of competitiveness are increasingly involved in what John Stopford and Susan Strange (1991) called "triangular diplomacy"—complex interactions and negotiations at state-to-state, state-to-firm, and firm-to-firm levels. But this concept must be widened further. Interdependence analysis has focused too exclusively on two-level games and on the state as a Janus-faced institutional structure. Although this is an oversimplification, complex globalization has to be seen as a structure involving (at least) three-level games, with third-level—transnational—games including not only "firm-firm diplomacy" but also transgovernmental networks, transnational policy communities, internationalized market structures, transnational pressure and interest groups (of both the "sectional" and "cause" varieties) and many other linked and interpenetrated markets, hierarchies and networks.

As states and state actors get drawn more and more into the minutiae of cross-cutting and transnational economic relations, their activities become further constrained by the less manageable complexities of complex situations. Thus the amount of government imbrication in social life can actually increase while at the same time the power of the state to control specific activities and market outcomes continues to diminish. One example is the way financial globalization and deregulation have intensified pressures for governments to increase monitoring of financial markets, criminalization of insider trading, tracking of money laundering activities and the like (Helleiner, 1998). The growth of competing authorities with overlapping jurisdictions does not reduce interventionism; it merely
expands the range of possibilities for splintered governments and special interests to carve out new fiefdoms, both domestically and transnationally, while undermining their home states' overall strategic and developmental capacity. The attempt to make the state more "flexible" has moved a long way over the past decade, not only in the United States and Britain—where deregulation, privatization, and liberalization have evolved furthest—but also in a wide range of other countries in the First and Third Worlds (and more recently in the Second World too). In a globalizing world, the competition state is more likely to be involved in a process of competitive deregulation (and marketizing re-regulation) and thus of "creeping liberalization". In this way complex globalization not only undermines but also transforms the state's structural capacity to constitute an effective arena of endogenous collective action and make credible exogenous commitments.

IV. Constructing a New World Order? Structure and Agency in the Transformation Process

The focus of this paper so far has been on structural changes in the way the state and the international system interact, rather than with the agents conceiving and implementing that transformation. The second half will therefore focus on the potential for agency to make further change happen within the structural context outlined above. As Marx observed, people do not make history in circumstances of their own choosing. Agents do not act on a tabula rasa; they develop perceptions of what they are doing (and what they are supposed to be doing) within the context of real existing (and often deeply embedded) structures with particular, "locked-in" payoff matrices or distributional patterns, cultural frameworks and the like—i.e., within complex "structured fields of action" (Crozier and Friedberg, 1977) characterized by preexisting (but continually evolving) sets of multilayered opportunities and constraints. Nevertheless, within this context, agents possess what has been called "bounded rationality" (Simon, 1997). Not only do they search to maximize their utilities within existing structural constraints, but they also search for "wiggle room" and try to "test the edges of the envelope". Most importantly, of course, when structured fields of action are flawed or fluid—i.e., when structural opportunities outweigh structural constraints—agents can and occasionally do reshape those very fields themselves in specific real-time historical contexts, engaging in a process of "structuration" which is essentially "path-dependent" (Cerny, 1990; Giddens, 1979; Granovetter, 1985 and 1992). Both incrementally modified and more radically altered structures might then be further "locked in" and "embedded" over time, often in an uneven process of "punctuated equilibrium".

In order for actors to impact upon and effect change in the system itself, they must overcome two kinds of structural constraints—those based on endurance over time, and those based on the particular shape or pattern formed by the structured action field. The first involves the embeddedness of whatever structures and/or institutions already exist to shape the system and keep it together; the second involves the fact that differently configured structures shape and channel human behaviour in distinct ways. Structures themselves, because of their very complexity, will tend to cohere and persist so long as the cumulative pattern of agents' actions maintains and reinforces the rules of game and the distributions of resources which make up those structures. However, those actions can also have a potentially significant cumulative transformative impact on the form of a structure itself. This can be especially true where they effectively exploit—whether as a consequence of conscious, strategic action, on the one hand, or because of the incidental or accidental impact of unwitting or merely tactical choices, on the other—existing contradictions, tensions and/or gaps in a structure. The actual form which a structure takes—the particular rules of the game in question, and the specific distribution of resources which characterizes the system—can either constrain the actions

8. The word "structure" is here used to denote the genus, a general organizational pattern, which, among other things, includes different types ranging from informal to formal structures; thus "institutions" are seen as a particular species, i.e. of more formal structures, although, as with any scalar distinction, there are many overlaps and shadings between the two terms. "Institutionalist" theories are therefore seen as a special type of "structuralist" (or in this case, "structurationist") theory (Cerny, 1990).

of particular agents or provide structured *opportunities* which reinforce and multiply the impact of the actions of those agents.\textsuperscript{10} However, most agents, most of the time, are heavily constrained by structures; it is usually easier to keep things the way they are and to manoeuvre within the interstices of the system than to counteract that inertia.

\textsuperscript{10} Deibert (1997), for example, shows how changes in communications media have both empowered and disempowered particular social, economic and political groups both in the historical transition from feudalism to the nation-state and in the current age of emerging “hypermedia”. 
Traditional "structuralist" analysis, of course, places greatest emphasis on the constraining effects of structure upon agents. However, the shape of particular structures themselves—the "structure of the structure", so to speak—can potentially not only reinforce but even generate pressures for change from specific agents or groups of agents, and structurationist approaches put much greater emphasis on this aspect. For example, it is easy to see that there can be two kinds of potential crises within a system: (a) crises of embeddedness, when a particular structural equilibrium no longer reflects the effective balance of forces underpinning it because of wider, exogenous historical changes, and the settlement which "locks in" that equilibrium is weakened; and (b) crises of structural form, when built-in contradictions or tensions in the system itself actually generate changes in the balance of forces. Indeed, broad structural change usually involves a complex feedback process between the two levels. At one level, then, structures can be characterized by permissive conditions for action that can be exploited by actors. At another level, however, structures can also, in a quasi-mechanical sense, generate seminal or causative conditions which may induce or even necessitate system-challenging or system-changing actions. This is especially true, in the latter case, as the consequence of the existence of fundamental or pivotal in-built structural tensions and opportunities, the transformative effects of which may be triggered by, e.g., changing exogenous conditions (from climate to technology) and/or the uneven or problematic operation of the system itself (e.g., a tendency to gridlock or the perpetuation of centralized control)—or, usually, both. A range of ideal-type scenarios can be envisaged of circumstances in which actors can initiate and/or precipitate broad structural change.

Debates on issues like globalization and internationalization are essentially debates about the nature of ongoing structuration in the international system. They address three fundamental questions. First, to what extent is the pre-existing structure of the international system characterized by tensions, anomalies, uncertainties, structural gaps or flaws which constitute or generate incentives to engage in system-challenging behaviour—i.e., how vulnerable is the existing system in structural terms? Secondly, do the various exogenous processes of social, economic and political change which have been identified in the international system in recent decades add up to a wider, cumulative process of structural change, often called "globalization"? And finally, what kind of choices might agents be able to make—or have they already been able to make—which potentially could shape those processes of change cumulatively in the future—whether to slow them down or speed them up, whether to consciously resist or promote the emergence of new structural patterns, whether to pursue different kinds of values or goals in the process of change, etc.?

In this context, the main hypothesis of this chapter is that the international system is currently in the early stages of a process of "institutional selection" (Spruyt, 1994) in which the structure of that system is no longer viable in its preexisting form. In particular, it will be argued that the development of a range of "transnational opportunity structures" provide vital structural space for key agents to act in potentially transformative ways, in turn increasing the vulnerability of the system in feedback fashion. At the same time, however, such changes also give rise to adaptive as well as transformative modes of behaviour. Therefore the particular shape a transformed international system is likely to take will be determined primarily by which sets of actors—in particular, which competing "institutional entrepreneurs" or "change masters" (Kanter, 1993)—are best able (whether strategically or accidentally) to most effectively exploit the manifest and latent structural resources or political opportunity structures available to them in a period of flux. A key variable in explaining actor-led change is thus the presence of strategically situated actors in a flawed and/or fluid structural context. Their presence constitutes a necessary but not a sufficient condition of structural change.

Of course, where what is perceived to be a highly constraining organizational pattern has been deeply embedded over a long period of time, most actors, even strategically situated ones, will take that pattern for granted and work within it rather than trying to change it. There is thus a strong

11. The latter process is more widely studied in the disciplines of Anthropology, Sociology and Linguistics than in Political Science or Economics.

12. Parsons (1964) explores the notion that system change is cumulative in nature. For a consideration of some such scenarios, see Cerny (1990), ch. 1.
tendency toward inertia built into most social structures most of the time. However, there are two ways in which strategically situated actors can in fact effect change. Either they believe that the combination of their preferences and objectives, along with a perceptive understanding of the fault lines and gaps in the existing structure, will bring about change, and therefore they systematically and consciously act in a rational fashion to pursue that outcome. Or they accidentally or incidentally interact with others in such a way that the pursuit of their ostensibly system-bound preferences puts strain on the structure itself in contingent fashion, opens up existing gaps, and creates new possibilities for forms of coalition-building and power-seeking that alter existing resource distributions and ultimately force de facto changes in fundamental, system-sustaining rules or resource distributions. It must be remembered, however, that the success of both of these forms of action is contingent upon the effective balance of forces between such system-challenging actors, on the one hand, and those whose actions continue to reinforce the existing structural settlement, on the other. Judging the state of that balance of forces is a risky business both intellectually and practically.

As I have argued previous sections of this paper, the existence of major structural fault lines in the "modern world order"—i.e., the domestic structural predominance of the nation-state form of "political system", on the one hand, and the international predominance of the so-called "states system", on the other—has opened the way for a significant range of strategically situated actors potentially to act in such a way as to open up further and/or wider gaps in that order and therefore make it vulnerable to widespread structural change. For example, rapid technological diffusion and the cross-border expansion of a range of different economic markets are straining the links between territoriality and political demands for economic results. Sectoral pressure groups and economic coalitions are seeking to manipulate a range of both old and new "access points"—multiple access points, often in different territorial jurisdictions, which they attempt to manipulate on several levels at the same time. The perceived inability of states to coordinate their responses to such complex pressures in a strategic fashion—and to be seen to do so by more transnationally aware publics—is said to have several structurally significant consequences. One of those is the fragmentation of domestic state responses to political pressures—i.e., the "splintering" of the state itself. Another is the necessity for such responses to be coordinated across borders, leading to an increasing process of institutional bricolage at the level of formal and informal transnational structures and processes. And a third, linking the first two, is the development of transgovernmental networks among significant but internally fragmented state actors, often playing ad hoc games of catch-up to adjust regulation and government intervention to perceived new economic realities.

Within this context, key sets of agents who in the past have been closely bound up with the territorial nation-state are increasingly experimenting with new forms of quasi-private regulation of their activities. Businesses and business pressure groups, for example, are more and more divided between those representing site-specific activities seeking old-fashioned government protection, but whose economic base is often declining, and those more active in transnational markets, seeking deregulation and liberalization (Milner, 1988; Frieden, 1991). The latter want more scope to engage in new forms of competition such as research-and-development-based or product-by-product strategic alliances which not only cut across national economies but also undermine traditional state activities in the antitrust area (Portnoy, 1999). Furthermore, the securitization and transnational integration of financial markets have undermined traditional state-bank-industry relationships of finance capital (Chernow, 1997). Labour movements, too, which were such a crucial element in the consolidation of the welfare state, are being eroded from both above and below, as their relationships with state actors and agencies become increasingly ineffectual in achieving their collective demands, leading to a strengthening of "free-riding" tendencies (Olson, 1965). And state actors themselves, once said to be "captured" by large, well-organized domestic constituencies, are increasingly captured instead by transnationally-linked sectors which set state agencies against each other in the desire to "level the playing field" for their domestic clients in the wider world.

Alongside these economic developments has come a range of social and political developments. The impact of new technologies has intensified pressures resulting from the interaction of previously compartmentalized social and cultural categories, with an emphasis on the sheer speed of that interaction (Douglas, 1999). The development of MacLuhan's "global village" has been paralleled (or, for some, even superseded) by a postmodernist fragmentation of cultures and societies (Deibert, 1997). In political terms, the re-identification of societies as "multicultural",
emphasizing shifting identities and loyalties (Dombrowski, 1998), is unravelling the consolidation of "national cultural societies" (Znaniecki, 1973 [1952]) which was at the heart of the nation-state project from Bismarck to postcolonial "nation-building" (Bendix, 1964). Major social causes and cause groups are less concerned with negotiating benefits from the state and more focused on transnational issues such as the environment, women's issues, the international banning of landmines, opposition to the holding of political prisoners, promoting "sustainable development", and the like. In particular, the end of the Cold War has unleashed a huge number of social and political demands which had previously been kept in ideological and political check. In this context, the notion of the "public interest" itself is being questioned, and perhaps being transformed, releasing actors from the rigid ideological categories of the mid-20th century.

The growing salience of a range of fault lines in existing domestic and international political structures has therefore first of all created permisive conditions for broadly-based, paradigmatic structural change. In a deeper sense, however, the increasing salience of those fault lines and their interaction in complex, changing exogenous circumstances, are themselves generating causative conditions for change. Whether such change will actually occur, however, will depend on the complex interaction of such permisive and causative conditions. This interaction involves three sets of variables. In the first place, although specific changes may take place, whether change overall is fundamental and far-reaching enough to be paradigmatic—i.e., transformative—change will depend upon the balance of forces between sets of agents whose actions continue to reinforce existing structural forms and practices—including those who are able to channel the pressures described above in the direction of adapting existing forms to better meet new structural challenges—and those whose actions generate and reinforce new forms and practices.

Secondly, change will depend upon the way the latter agents actually act in practice: although they might be expected to act in ways which challenge the structure, they also may for various reasons—including cultural and ideological reasons as well as calculations of short-term gains—not be able, or even not choose, to act in such ways. Adaptive behaviour may in the end be the preferred course of action for many strategically situated actors. And finally, those alternative structural forms—the potential but contingent outcomes (multiple equilibria) which may in theory be possible—may prove either too ambitious, on the one hand, or too amorphous and fragmented, on the other, to form an effective foundation for those agents' strategic or tactical calculations. Alternative equilibria may also be too flawed and/or fluid to be a ground for effective action. At this point, then, let us look at how specific changes, at different structural levels, involving different sets of key agents, are more or less likely to shape the outcome of wider processes of transnational structuration in the context of globalization.

The capacity of economic agents, for example, to become effective institutional entrepreneurs or change masters is most directly influenced by changing production processes, the multinationalization of corporate structures, the integration of transnational financial markets, the growth of world trade, the development of new consumption patterns, and the like. Political agents (politicians and bureaucrats), in the world of the nation-state and the states system, are the category which has traditionally been most identified as containing both actual and potential institutional entrepreneurs; when paradigmatic system change seems to be possible, mass publics and the chattering classes alike still expect state actors to be the main ones to try to do something about it. Social agents have a less precise profile than either economic or political agents, because of the wide range of different types of social activity and organization which they reflect and represent. Nevertheless, several widespread (and conflicting) types of social change, from the emergence of a cultural global village to the fragmentation of postmodernity, involve agents operating across the domestic/international divide and challenging the traditional 19th and 20th century sociological identification of "societies" (as distinct from the more amorphous "society") with national societies (Robertson, 1992). In particular, transnational social movements are seen with increasing frequency to be at the cutting edge of transnational structuration, by exploiting and creating "transnational opportunity structures" out of the flawed infrastructure of the states system.

A. Economic agents

The main assumption in most of the literature on globalization that I have seen is that the key
category of agents in terms of developing transnational linkages which have structurally transformative potential consists of economic agents, mainly because globalization is most often seen as a primarily economic process. The story goes something like this. In the first place, the "modern" division of the international economy into relatively or partially insulated national economies is widely seen to be both (a) somewhat flawed from the start and (b) breaking down again. In the mid-to-late 19th century, the world economy was already highly transnationalized, with relative levels of trade and international capital flows comparable at least with those of the 1980s (although it is arguable that such levels have been superseded in the 1990s). The consolidation of national economies in the advanced capitalist world from the 1890s to the 1950s was the result of pressure on "late industrializers" to catch up with Britain's "First Industrial Revolution", whose industrial and financial economy was already transnationally embedded over centuries, and the structural character of this "Second Industrial Revolution"—allied to state promotion of industrialization and the support of bank capital (itself closely intertwined with the state in "finance capital")—tended to reinforce potential synergies between the consolidation of national industrial systems and national political-administrative bureaucratization, whether authoritarian or democratic, planning-oriented or Keynesian-macroeconomic in form. Finally, the development of mass politics around this corporate industrial state privileged sectional interest groups, especially trade unions, which were able to pressure the state for social protection and trade protection too (creating alliances with national firms), reinforcing the national character of the economy itself.

However, at the end of the 20th century, all of these levels of economic structure and institutionalization are being challenged or undermined by financial globalization, growing trade interdependence, corporate multinationalization and strategic alliances, the Third Industrial Revolution, etc. New asymmetries and tensions in the relationship between underlying economic structures and the states system are developing apace. Therefore there is often seen to be a hierarchy of groups of economic agents unevenly caught up and situated in the transnationalization process.

Of these groups, the least likely to take on the role of change masters is the labour movement. Solidarity among workers is a difficult thing to achieve at the best of times, and only the de facto alliance between trade unions, national-reformist or social-democratic political parties, and national capital in the Second Industrial Revolution was able to overcome the inherent collective action problems of such a diverse set of economically oriented actors. In other words, the labour movement could only grow and succeed in the first place because of the permissive conditions embodied in the consolidation of the nation-state as the hegemonic structural arena of both political and economic action—an arena which was structurally suited to the large-scale mass politics of the Second Industrial Revolution. Today, given the increasing significance of flexible manufacturing processes for large firms and the growing resort to flexible contracting and subcontracting among both large and small firms, including transnational strategic alliances, and other management practices, the potential collective power of labour has been greatly diminished. Nevertheless, the possibility of labour movements shifting their focus from collective industrial action of a Second Industrial Revolution type to more widespread (if more fragmented) forms of social action in alliance with transnational social movements may provide more potential for labour to participate in a transformative fashion in transnational structural change (see below).

Another set of strategically situated economic agents are owners and managers of multinational corporations. Whether at a localized, regionalized or genuinely transnational level, for example, owners and managers of high technology firms large and small are often seen as taking on a collectively transformative role—but only the major executives of the larger firms, such as Bill Gates of Microsoft, are seen as credible potential institutional entrepreneurs. Even they would argue, however, that they are only interested in advancing the development of their firms and sectors, although in the case of Microsoft's Internet Browser, the potential for shaping future internet development could conceivably spill over into wider institutional change. Nevertheless, such agents are generally still dependent upon states and the states system for providing basic public goods, enforcing property rights, etc. In other words, the capacity of even the most cutting-edge multinational

13. Including the development of craft-based industrial regions (Piore and Sabel, 1984), usually with strong transnational market linkages.
corporations—widely seen as the main "carriers" of transnational capitalism since the 1970s—to live up to their structural potential is probably fairly limited at a strategic level. These limits are reinforced by "enduring national differences" in corporate organizational forms (Pauly and Reich, 1997) and "state-societal arrangements" (Hart, 1992). At the same time, however, they are drawn into transnational opportunity structures in extensive, if tactical, ways on an ever-increasing scale. One of those ways, as I suggest below, is the increasing participation of both large and small firms in transnational financial markets, participation which could well give leading-edge firms in high-tech fields a strong competitive advantage in those markets themselves.

Probably the one group of economic agents that is most often seen as having the potential to become "change masters" on a wider scale are participants in global financial markets. Their (mainly indirect) ability to constrain macroeconomic and microeconomic policy and their close links with certain government agencies which play an enforcement role, such as central banks (Pauly, 1997; Maxfield, 1997), mean that the immediate transnational impact of their actions is evident both to them and to other groups, including mass publics. Recent turmoil on Asian financial markets and the impact that this is having on the ability of "developmental states" in the region to continue their investment-led booms have highlighted the capacity of "international finance" to exploit and shape transnational opportunity structures in key ways, even where their impact is only a by-product of more narrow forms of quasi-system-bound economic behaviour.

Possible future structure developments highlight the potential for reinforcement of this role. For example, a leading investment banker recently suggested to me that given the increasingly technology-driven structure of the financial markets themselves, existing firms might well find it difficult to compete with multinational technology firms (e.g., Microsoft again) should those firms decide to transform themselves at least partly into financial services firms. This development is not unfeasible. As Chernow (1997) has emphasized, throughout modern history structural developments in the financial services field have been driven at key times by industrial firms with large financial surpluses either forming alliances with banks and financial market participants or seeking to enter the financial services field themselves. Should Microsoft choose to use its large profits in this way, for example, it could quickly become a leading, if not a dominant, player, given the nature of competition among existing successful financial services firms. At another level, had Ted Turner decided to put his excess cash into entering the financial services field instead of giving it to the United Nations, he would also have had competitive advantages. The likes of George Soros are vulnerable in such circumstances. Still, the real economic "change masters" are not likely to be the most obvious public personalities; as Kanter points out, "The art and architecture of change, then, also involves designing reports about the past to elicit the present actions required for the future ...: "[p]ower may need to remain less than fully visible; "prime movers" may need to make sure others are equally credited; room at centre stage may need to be given over to those people and activities that are now necessary to go on from here—such as the marketing people instead of the product developers becoming the 'heroes' of the account. "Change masters should understand these phenomena and work with them; they should know how to create myths and stories. But we should not confuse the results with lessons about guiding organizational change. ... We need to understand what goes on behind and beyond official accounts ..." (Kanter, 1993: 188).

In terms of economic agents, then, despite their central and widespread interaction with the latent and manifest transnational opportunity structures existing in both political and economic terms, it is unlikely that the more powerful among them will seek to promote a paradigm shift in the broader transnational structuration process—although they may inadvertently drive other actors to attempt to effect more far-reaching structural change to counteract perceived negative political, economic and social consequences of economic transnationalization. To be successful, such counter-action, blocked for the most part at domestic level, will need to be played out on the international and transnational fields. Economic agents themselves, however, are most likely to continue to adopt adaptive forms of behaviour in structurational terms, e.g. promoting a dialectic of regulatory competition and cooperation in the financial market sector, supporting the continuing reduction of trade barriers and the consolidation of international regimes such as the World Trade Organization and fora...
like the G-7, etc.

The main direct influence of economic transnationalization in terms of agent behaviour will be felt in two ways: in the first place, through the spread of an ideology of market globalization through the mass media, the teaching of management in business schools, popular business literature (the "airport bookshop" approach to globalization), and the like; and secondly, through the impact of economic transnationalization on other categories of agent—i.e., on political agents attempting to reconfigure forms of political authority to meet the potential challenge of transnationally-rooted market failures and the demands of popular constituencies for the reassertion of political values such as the "public interest" in the face of the economic, social, and indirect political power of economic agents. In the last analysis, it will be networks which cut across the crude economic-political-social boundaries examined here that will determine the shape of change. At the end of this paper, I will suggest what kinds of structural scenarios are likely to develop should economic agents of different kinds prove to be directly or indirectly hegemonic in the transnationalization process.

B. Political agents

In this context, pressures on political agents to act as institutional entrepreneurs are likely to grow; nevertheless, their actual capacity to act is likely to increase in some ways and decline in others. Such patterns of opportunity and constraint are distinct in several ways from the patterns described above with regard to economic agents, however. In the first place, as mentioned earlier, politicians and bureaucrats are to a great extent expected to act as institutional entrepreneurs in the modern world, a role which they generally attempted to fulfill in the world of the nation-state and states system. Their authority and their legitimacy depend upon their role as upholders (and to some extent, designers) of constitutions and institutional systems, their capacity to use "non-economic coercion" (Holloway and Picciotto, 1978) to achieve collective action (or hegemonic domination ...), their role in protecting and furthering the "national interest" vis-à-vis foreigners (even to the point of expecting citizens to go to their deaths in its name), and their manipulation of symbols of elemental social bonds, belonging, loyalty, etc. Political agents are expected to combine carrots and sticks in the pursuit of, ideally, collective goals (or at least the goals of dominant groups), to blend "voice" and "loyalty" (in different combinations) while minimizing threats of "exit" or "free-riding". At the same time, that very authority and legitimacy are inextricably intertwined with the multifunctionality of their authority (Cerny, 1995), and that multifunctionality is only made possible by limiting their power to the domestic arena (and/or to the international strategic/diplomatic arena).

The capacity of political agents to act as institutional entrepreneurs therefore takes on a quite different form in a transnationalizing international system, but their role is still central. Of course, political leaders with their "foreign policy" or "statesmen" hats on (and traditional diplomatic bureaucrats too) will still play an important—and salient—role, especially in constructing symbolic representations of change (as in the recent visits to the United States of both the Chinese Present and Prime Minister in 1998 and 1999 respectively); they can also initiate forms of international cooperation, such as the Uruguay round of trade negotiations which led to the establishment of the World Trade Organization or treaties on aspects of environmental regulation. In a sense, however, such agents are often condemned to play "catch-up" with complex endogenous and exogenous trends reinforcing or generating transnational linkages and opportunity structures in such issue-areas; they are rarely change masters, but they can to some extent shape change and, most importantly, they can sometimes legitimate it. At the same time, however, they suffer from a growing disillusionment with governments, politicians, and bureaucrats generally—a disillusionment which results from the increasing political immobilisme and poverty of public policy which transnational constraints impose on publicly visible, formal officials. This disillusionment increasingly penetrates down into the interstices of domestic policy as traditional state policy instruments—especially those of the national Industrial Welfare State—are seen to be less effective because of those constraints (and the combination of those transnational constraints with other internal constraints, often sharing related causes and effects).

14. Again, the increasing embeddedness of globalization discourse is probably more important for global policy transmission than material power (see Sinclair, 1999).
In this context, too, traditional pressure and interest groups, especially sectoral pressure groups, are increasingly divided amongst themselves along transnationally-rooted fault lines. We have already mentioned, in the context of our discussion of economic agents, the problems faced by trade unions in this environment. Pressure groups are perceived less and less as parts of a positive-sum, pluralistic process of negotiating satisfactory compromises within the national political arena, and more and more as “special interests”, acting against the public interest or free-riding on the collective actions of others. Of course, the idea of cross-cutting affiliations or overlapping groups as a positive, stabilizing force in political life (Truman, 1956; Coser, 1956) has always represented a rosy scenario, open to fundamental critiques from elite and class analytical perspectives, among others. Nevertheless, with the splintering of the state and the crystallization of more and more complex transnational opportunity structures, many domestically-oriented interest and pressure groups are increasingly “out of the loop”, condemned to pursue politically problematic goals such as protectionism, and open to marginalization as obsolete representatives of the old left or the populist right. Transnationally-linked interest groups, on the other hand, are better able to use their influence at a number of different domestic and transnational levels at the same time, even playing state actors off against each other in their desire to “level the playing field” in a politically as well as economically competitive world.

It is at this level where political agents do play a key entrepreneurial role, by acting as intermediaries between transnational pressures and interests and domestic pressures and interests. However, no longer having the capacity to systematically privilege the latter over the former, the new political consensus which enables political agents to become change masters is a consensus which identifies international competitiveness as the main criterion for policy success. I have already mentioned the notion of the “competition state”, which is the key to understanding the impact and potential of their entrepreneurial role, the new categorical imperative of political life. Political agents, especially state actors, by identifying international competitiveness as the chief totem of political discourse, put themselves in a position where they require of themselves—and evoke expectations in others, whether businessmen or mass publics—that they must attack not only domestic protectionism but also the state-enforced decommodification of socially deleterious economic activities and practices in the name of levelling the international playing field and, indeed, that they must provide domestic economic agents with greater competitive advantages in a more open world. Political agents have been extremely successful in doing just this, despite deep-seated domestic opposition. President Clinton’s patronage of the North American Free Trade Agreement in 1993, against a major campaign led by the labour unions and powerful members of his own party, is a salient example of this trend.

However, it is not at this obvious level, but in the day-to-day transformation of state intervention—and of state-business-labour relations (what Hart [1992] calls “state-societal arrangements” or SSAs), often challenging the very vested interests imbricated in different “national models” of capitalism (Crouch and Streeck, 1997)—by politicians and bureaucrats in their interaction with transnationalizing pressures and interests that the state itself becomes a major collective agent in the structuration process, creating through ongoing bricolage a complex new set of transnational opportunity structures. Paradoxically, although the state is internally divided and its traditional policy instruments less useful—or partly because of those very developments—political agents are potentially among the main change masters of the transnationalization process simply because they must attempt to manage key developments in that process through participating in and attempting to manipulate transgovernmental networks and transnational policy communities.

What is called “policy transfer”—i.e., the adoption for domestic purposes of policy agendas which reflect policy experiences in other countries and in transnational regimes—puts political agents, often on the lower rungs of the political or bureaucratic ladders as well as higher up, at the core of transnational and transgovernmental policy networks and epistemic communities (Evans and Davies, 1999; Stone, 1999). They can cut across not only national boundaries but also economic-political-social boundaries to form action networks to pursue specific changes which can add up to transformative change without necessarily realizing the impact of their actions. And they are often all the more effective because their actions are masked by their continued use of traditional national symbolism and state authority, and even by their ability to shape the institutional environment itself. For example, the capacity of treasuries, finance ministries and central banks, along with the closely-knit transgovernmental and transnational policy communities in which they are enmeshed, to
embed global imperatives in day-to-day national decisionmaking—by, for example, framing the limits not only of macroeconomic policies but also of the ability of “spending ministries” to address the problems of their particular jurisdictions—shows how embedded, quasi-camouflaged political and institutional entrepreneurs can influence not only policy per se but also the structural and institutional arenas within which policies are shaped. They can restructure state institutions and activities behind a veil of democratic legitimacy, reinventing the story of politics from behind the scenes as they go along in much the way Kanter describes above.

At the same time, however, the capacity of political agents to act is still inextricably intertwined with the maintenance of state institutions and national discourses. Political agents are not about to try to deconstruct the state itself and design overtly transnational constitutional processes to replace it. Indeed, in a paradoxical fashion, the weight of state interventionism increases—often significantly—as states undertake enforcement functions on behalf of (especially) transnationally-linked economic agents, functions which transnational structures are unable or unwilling to undertake. The state may be becoming the main terrain of political conflict and coalition-building between forces favouring globalization and those seeking to resist it, but political agents will not be willing to undermine the state itself as the central institutionalized political arena—and thereby undermine the most significant single source of their own power. Thus the state may be dramatically altered through a wide range of adaptive behaviours on the part of political agents, but it will not itself be fundamentally left behind. The state may be transformed, but it will be neither transfigured nor transcended by political change masters alone.

C. Social agents

Social agents, as pointed out earlier, are in a complex position with regard to their capacity to reinforce and generate transnational structural change. The depth of politically imposed national identities in the developed world enabled nation-states and the states system during most of the 20th century to spawn two World Wars and the Cold War as well as to dominate processes of political development in the postcolonial era. Nevertheless, especially in the last two decades of the century, increasing tensions over the distribution of economic and political goods and a proliferating set of demands by diverse social actors cutting across both global and domestic arenas throughout the world, have fuelled endemic dissatisfaction with existing institutions and processes of governance. The uncertain and destabilizing processes of democratic transition, globalization, and the rapid formation of new collective identities have created tremendous social as well as political volatility and inspired popular pressure both for new kinds of control and accountability and for specific policy remedies. As with the other two categories of agents discussed earlier, there are three aspects to consider: the population of agents; the changing structured action field in which they operate; and the potential for their action to direct or shape structural change.

In the first place, there is emerging a new range of pressures from below. The proliferation of social agents on the international and transnational levels has been widely noted. These numbers and activities of such groups have grown in range, scale and scope. Some are more like traditional pressure or interest groups (Willetts, 1982), adjusting the scale of their organization to conform with the scale of problems facing particular categories of people in a global setting. Probably the least represented at this level have been what the traditional pressure group literature called “sectional groups”; such groups have been much more imbricated with domestic state structures and processes because states have in the past been able to marshal far more resources to respond to demands for, especially, distributive and redistributive policies. For example, labour groups have always had international-level bureaus, but these were usually either moribund or captured by Cold War state agents, reflecting the struggle between Communists and anti-Communists in trades unions across the world from the 1920s to the 1970s. Such international bureaus now find conditions somewhat more favourable to their activities, although their members remain for the most part locked into national-level unions and organizing industrial action across borders is still highly problematic. In particular, they can now interact with an increasing range of international regimes, especially with the recent revival of the International Labour Organization in Geneva.

However, more emphasis is placed today on the recent growth of what the traditional group literature called “cause groups”, or what at global level are now called “transnational advocacy
coalitions (or networks)” (Keck and Sikkink, 1998) in issue-areas like environmental activism, women’s rights, population policy, socio-economic development, and even military policy, as in, for example, the campaign for an international treaty banning the use of landmines. The last of these, organized entirely on a private campaigning basis through the internet, resulted not only in the signing of a major international treaty in 1998 but also the award of the Nobel Peace Prize to the campaign’s leaders in 1998. These advocacy groups do not merely mimic domestic cause groups for three reasons. In the first place, they target issues which are international and/or transnational in scope. In particular, they pursue objectives which either are not being responded to or cannot be effectively responded to at national level because of the structural linkages among different levels and spaces (both territorial and virtual). The indivisibilities characteristic of environmental issues are well-known (global warming, etc.). But in the case of the anti-landmines campaign, it was necessary to break through the intense opposition of national military bureaucracies concerned with the constraints of the traditional security dilemma (Cerny, 2000b).

Another reason is that they can bring together a range of coalition partners who would not normally be prepared to work closely with each other in a national setting for a variety of structural and historical reasons. For example, rainforest campaigns in Latin America can bring together displaced workers and peasants, women, quasi-elite groups concerned with environmental degradation per se, indigenous groups and organizations concerned with Third World economic development and the like—and that is just within the developing state or states involved in the action. Furthermore, each of these indigenous groups will have links with external, often First World-based organizations (non-governmental organizations or NGOs) concerned with directing campaigns in the international and national media in the developed world, not to mention links with other kinds of elite and mass networks, including various scientists and experts (“epistemic communities”), in developed countries. These broad (but shifting) coalitions usually either have established relationships, through transnational policy networks and policy communities, with international (intergovernmental) regimes and with state actors in particular agencies in the richer countries too, or else they are in the process of developing those links through new activities. Finally, the internet and other new communications and information technologies give these coalitions great reach and flexibility in the ways they can target different agents in states, international institutions, academics, the media and the like. In this sense, the narrower pressure group model overlaps more and more with the NGO model, which in turn overlaps considerably with broader egalitarian New Social Movements (Murphy 1998) creating a potential virtuous circle of action—although the very diversity of such a process also can lead to overcomplexity and uncertainty.

Secondly, these groups of social agents also benefit from the changing structured field of action, or what Krieger and Murphy (1998) have called the “Transnational Opportunity Structure” (to shadow what Tarrow [1998] called the “Political Opportunity Structure” or POS). The TOS (like the POS) refers to what in the traditional public policy and pressure group literature were called “points of access”—i.e., structural openings in political and bureaucratic institutions where pressure groups can influence particular interlocutors within the state apparatus, whether individual state actors, specific agencies, or so-called “iron triangles” of the policy network type. Whereas the traditional pressure group and social movement literature focuses on the more embedded institutional points of access of the state, commentators on NSMs and NGOs are increasingly pointing to opportunities at the international and transnational levels. These points of access include, of course, international regimes, particularly the United Nations, which has always been open to such groups in both formal and informal ways (Willett, 1982); particular state agencies with jurisdictional scope in the very issue-areas focused on by these coalitions (environmental agencies, etc.); wider epistemic communities of experts, think tanks, scientists and the like (Haas, 1993; Stone, 1996); the proliferation of new fora such as U.N.-sponsored conferences on social development, population, human settlements, women’s health, climate change and the like (Betsill, 1999; Clark, Friedman and Hochstetler, 1999; Dodgson, 1999); and private organisations in other spheres, particularly business.

Indeed, cause groups can strategically “whipsaw” policymakers at local, national and international levels, going back and forth between applying traditional pressure group tactics to government officials, organizing local resistance and pursuing international or transnational media and other campaigns, as shown by a case study of the Clayoquot and Great Bear rainforest campaigns in Canada (Krajnc, 1999). The landmines treaty was negotiated over the opposition of the supposedly
hegemonic United States, with other states (and state agencies), international organizations and pressure groups. And in the Brent Spar affair, in which Greenpeace and other transnational groups opposed the decision of the oil multinational Shell to sink a disused oil platform in the ocean, the resolution of the issue (after boycott and other campaigns against Shell around the world) came in direct negotiations between Shell and Greenpeace; indeed, the British Government was strongly opposed to the settlement that was reached, but was bypassed (see Nature, 1996). Interestingly, there are increasing interaction effects here, as NGOs, international organizations, government agencies, the media and business interact with each other on a more and more ongoing and regularized basis; particular venues like the U.N.-sponsored conferences mentioned above have been said to have a particularly strong multiplier role in this sense, spawning new and expanding networks which then continue to interact outside of the venue and beyond the time frame of the conferences themselves. Even traditional pressure groups such as labour unions are being brought into this universe through trade and environmental treaties and, in particular, the virtual resurrection of the International Labour Organization, a long-established international institution based in Geneva, but semi-moribund for decades, in a growing international, transnational and domestic debate over labour standards. The ILO increasingly comprises an important node of contact, networking and influence.

In this context, then, social agents involved in the processes just described are increasingly strategically situated in a changing global order. Their influence is still heavily constrained by the regularized allocation of resources and the public goods decisions faced on a routine basis by states and state actors. Nevertheless, state actors are being increasingly drawn into this wider universe. On the one hand, the hollowing out of the state has led to the contracting out of previously central state functions to a range of different levels of governance, whether local, transnational, private or mixed (Lahav, 1999; Savitch, 1998). For example, there is a burgeoning literature attempting to address the vexed question of how to conceptualize the growing institutionalization of the European Union in this context. At the same time, many of the actors within such groups and coalitions are not only aware of this situation, but working feverishly in proactive, entrepreneurial ways to further develop and institutionalize these networks linkages. As the latter become more and more utilized and embedded, the more will their mission become institutionalized—unless, of course, they become “captured” by existing state and intergovernmental apparatuses in the process (as is often said to be the case with domestic social movements: Tarrow, 1998). Of the three sets of agents dealt with in this chapter, social agents perhaps have the most collective and individual potential to become “change masters” in a globalizing world.

Nevertheless, it can also be argued that transnational opportunity structures, unlike national ones, are not configured primarily by hierarchical state structures, but by multilayered, quasi-anarchical, overlapping and cross-cutting—transnational—structural formations, including not only states-in-flux but also transnational economic and transgovernmental linkages. In such conditions, it is at least conceivable that the standard POS wisdom may be stood on its head, and that transnational social movements may nurture the growing influence of sets of social agents which themselves will impose new structural forms on the transnational field. At one level, then, social agents, in the form NGOs and NSMs, may be the most strategically situated agents of all and have the greatest potential leeway—ability to exploit gaps and tensions in the structure of the international system—to imagine and to construct new forms of transnational structuration. However, the embeddedness of existing state and governmental institutions continues to constitute a major constraint. Whether their diverse bases of support and complex areas of involvement and expertise would permit them to develop an overall structural impact of a kind that could transform the international system itself is somewhat more problematic. As with economic and political agents, of course, the key will not be the action of social agents taken in isolation; rather it lies in the way that social agents can alter the shape of cross-cutting networks linking all three categories of agent in a globalizing world.

V. Conclusion: The Dynamics of Global Structuration

This chapter has focused on both sides of the global structuration process. In the first place, in Section I, I attempted to situate globalization in its wider historical context. In Section II, I identified a range of changes taking place in the underlying structure of the public/private goods equation and at
how these changes are impacting on the patterns of constraints and opportunities faced by agents in the globalization process. In Section III, I looked at processes of change occurring within the single most important institutionalized structure of the modern era—the transformation of the state from the national Industrial Welfare State to the Competition State. Indeed, I even suggested that “the state” (state and state-related agents operating collectively within those constraints and opportunities) not only was changing, but was in many ways driving the globalization process by pursuing international competitiveness as a goal and internalizing that and related goals in a new discourse of globalization. In Section IV, however, I turned the argument on its head and looked at the other of the globalization coin—a stylized survey of the universe of agents who may be more or less likely to have an impact on this process, whether proactively or inadvertently. Thus a key part of the argument here is that the sorts of outcomes that might be hypothesized with regard to any ongoing process of transnational structuration, given the increasing openness of the system to pressures for paradigm shift, will depend on the way strategically situated agents of all kinds consciously or unwittingly shape that process.

The final question must then be: “What sorts of outcomes can be anticipated in the case of particular groups of entrepreneurs shaping the structuration process in specific ways?” Murphy (1994), inspired by Polanyi’s (1944) idea of an ongoing “double movement” in the structuring of modern societies and their interactions, argues that each historical transition to a more encompassing industrial order has initially been marked by a period of relatively slow economic growth; during this stage, rapid marketization takes place, the state seems to retreat, and uncompromising versions of laissez-faire liberalism triumph. Up to now, however, he asserts, a second phase has always followed, marked by the growing success of egalitarian social movements—movements which then take the lead in shaping new institutions and structural patterns, i.e., acting directly or indirectly as institutional entrepreneurs. This second phase, or the second part of Polanyi’s “double movement”, has always been associated with the consolidation of the whole range of governance institutions—from the interstate level down to the shop floor. Those institutions, for a time, help maintain a period of relative peace and relative prosperity over a larger industrial market area in which a whole new generation of lead industries become dominant. In time, however, various social conflicts, including those that arise from the restraints on liberal innovation imposed by each era's governance institutions, lead to crises; in these periods of crisis, laissez-faire “first movers” provide the initial, successful social response, but then new egalitarian movements arise. These new movements provide not only the social impetus but also the entrepreneurial capacity for structural bricolage and institution-building which lay the foundations for a new stage of development, a new phase of the double movement.

Taking our cue from Murphy, we could look at the recent era of relatively slow growth, rapid marketization, and the relative retreat of the state (Strange, 1996) as merely a stage in the development of a wider social-liberal “world order” or more transnationalized “embedded liberalism”. If the earlier pattern holds, prospects for movement to the next phase might be linked to the relative success of a whole range of egalitarian social movements. Transnational social movements, in this context, might be seen to have not only the widest scope for potential action—in order to succeed, they must, in a sense, target the world (or at least a growing range of embryonic but crystallizing international and transnational structures and processes)—but also the greatest range or scale of potential action—i.e., they can pick and choose their issue-areas to reflect the qualitatively “global” issues they most value and which they are best at pushing (even when those issues appear “local” in purely territorial terms). Even if such a view is too far-reaching, it is clear that such movements will always play a vital role in creating new forms of identity in a more transnationally-structured international system, and may indirectly cause new lines of conflict and coalition-building, new transformative conditions, to crystallize. But let us look at some alternative scenarios.

A first alternative scenario might suggest that the structural developments outlined above do not entail a paradigm shift in the international system. From this perspective, globalizing pressures merely trigger a range of adaptive behaviours on the part of the most significant strategically situated actors in each of the categories developed above and who are still significantly constrained in their capacity to form effective transformative networks cutting across those categories. In such circumstances, it is likely that the key to understanding structural change (however limited) is most likely to rest with traditional political agents. Such agents, enmeshed in deeply embedded nation-states and the states system, would react to pressures for change and the operation of
endogenous structural tensions by increasing the adaptive capacity of, for example, traditional forms of international cooperation, along with pressure on domestic actors to adapt as well (the competition state). A second alternative scenario might be based on the predominance of transnational social movements and their ability to shape the agendas of other actors both within and cutting across states. Two linked hypotheses can be raised again here: on the one hand, the development of a "global civil society", based on common transnational norms and values; and on the other, the emergence of a cross-cutting Coserian pluralism (or "plurilateralism:" Cerny, 1993). Held (1995), for example, has suggested some mixture of analogous developments might well lead to the emergence of a transnational "cosmopolitan democracy". It might especially be the case that, should transnational NSMs prove to be the predominant change masters of the transnational structuration process, then a more complex, supranational process of "mainstreaming" might well provide the glue for some form of de facto democratization-without-the-state. Nevertheless, this remains a "rosy scenario", an idealized state of affairs which it might be unwise to expect.15

However, the dominant image of transnationalization and globalization today, as suggested earlier, is still that of economic and business globalization. Economic agents, through the transnational expansion of both markets and hierarchical (firm) structures and institutions, increasingly shape a range of key outcomes in terms of the allocation of both resources and values. Neoliberal ideology presents such developments as inevitable; in Mrs. Thatcher's famous phrase, "There is no alternative" (TINA). Should transnational social movements prove more peripheral to the structuration process than a Polyanian "double movement" might suggest, and should political actors and the state continue to act as promoters of globalization and enforcement, then the "governance" structures of the 21st century international system will be likely to reflect in a more direct and instrumental way the priorities of international capital. Without a world government or set of effective "inter-national" (cooperative-political) governance mechanisms, private economic regimes such as internationalized financial markets and associations of transnationally active firms, large and small, are likely to shape the international system through their ability to channel investment flows and set cross-border prices for both capital and physical assets as well (Cerny, 2000a). In this sense, the shape of the governance structures of such a system will merely mimic the structures of capital itself.

This raises a number of issues. In the first place, it has been suggested that capital cannot directly control society. Capitalists are concerned first and foremost with competing with each other, not with policing the system (which can eat up profits); and there is no collective mechanism, no "ideal collective capitalist" to regulate the system in the interests of capital as a whole, other than the state (Holloway and Picciotto, 1978). Nevertheless, indirect forms of control, for example through Gramscian cultural hegemony, may be more important than the state per se (especially in its limited guise as a "nation-state"). Gill (1990), for example, sees the Trilateral Commission, the World Economic Forum (Davos) and other formal and informal networks among transnationally-linked businessmen and their social and political allies as a bearer of such hegemony. In this sense, then, it may be possible to hypothesize that, should transnational capital take a relatively holistic hegemonic form, then the international system of the 21st century will represent a truly liberal (or neoliberal) capitalist society in a way that no capitalist state has ever been able to. Private sector-based mechanisms of control at a transnational level may indeed replace the state as a "committee of the whole bourgeoisie". However, the crystallization of other structural forms of international capital can also be envisaged, reflecting an unequal distribution of power or representation, for example among different economic sectors. For example, in the 1970s what essentially were cartels of multinational corporations were thought by many on both sides of the political divide to be the form that international capital would take in the future. But in the 1990s' world of dramatic international capital movements, it is more often the financial markets which might be seen as exercising a "sectoral hegemony" over the international system (Cerny, 1994a, 1994b and 1996). In either case, however, any significant transfer of power or system control from political agents (via states) to economic agents would represent a massive paradigm shift.

A final scenario, which I have explored elsewhere (Cerny, 1998, 2000b), is that exogenous

15. Hirst and Thompson (1995) suggest that the first of these two scenarios is most likely, with the possibility that a new social democratic consensus might be forged within it.
pressures on the nation-state/states system, interacting with and exacerbating the tensions within that system, will cause that system to erode and weaken in key ways, but without providing enough in the way of structural resources to any category of agents (or combination of categories) to effectively shape the transnational structuration process. In other words, no group or group of groups will be able to turn the steering wheel of change in the international system, and competition between different groups will in turn undermine the capacity of any one of them to exercise such control. In such circumstances, the outcome might be what has been called “neomedievalism”—a fluid, multilayered structure of overlapping and competing institutions, cultural flux (postmodernism?), multiple and shifting identities and loyalties, with different “niches” at different levels (social issues, economic sectors, etc.) for groups to focus their energies on. As Minc (1993) has argued, the medieval world was not a world of chaos; it was a world of “durable disorder”. Unless some coherent group of institutional entrepreneurs or change masters emerges to control and direct the process of transnational structuration, the medieval analogy may provide a better guide to understanding the international system in the 21st century than previous models involving states and the states system, both domestically and internationally. There is no reason in principle, after all, why “governance” in this broad sense has to be tidy and logically coherent. The nation-state as such, and in particular the national Industrial Welfare State of the Second Industrial Revolution, may well be caught up in such wider, more complex webs, leading to increased uncertainty and possible disorder. At the same time, however, crosscutting networks of economic, political and social agents will lead to an increase in the influence and power wielded by transnationally-linked institutional entrepreneurs, some of whom will certainly attempt to transcend the limits of adaptive behaviour and develop new institutional strategies to for transforming and reconstructing the political in this fluid, globalizing world.
BIBLIOGRAPHY


Osborne, David and Gaebler, Ted (1992). *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector, from Schoolhouse to Statehouse, City Hall to the Pentagon* (Reading, MA: Addison-Wesley).


