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Globalisation and Governance

A brief geo-economic approach

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Introduction

This essay aims to examine, briefly, the role of the State and the disruptive balance between national and sub-national governance, in this 'global shift'.

We start to present a few relevant aspects about governance in the globalisation process, namely the shift from a hierarchical model towards a market-based model and, finally, to the concept of networking policy and management. Then, try to explain how this late model, in addition to the supremacy of the service sector in the economy of developed countries, tends to unbalance welfare distribution and economic growth, perhaps more than ever, in favour of major capital cities (i.e. the places heavily populated by international business and transnational institutions).

By the end of this short paper, we will try to provide answers to a first question: - *Can globalization represent a catalyst in enhancing local governance?*

Assuming that we can do it, we'll be able, by inference, to provide answer to a second question: - *What roles, if any, can the state play in promoting economic development?*

I. The Globalisation Process

In the beginning of the century and the millennium, humanity is facing not only deep changes in its economical-political structure but also in the structure of society itself.

Even capitalism, once recognized to be the end of the history of the Humanity (i.e., that Humanity has reached, by the end of the 20th century the final stage in its evolutionary process through the triumph of occidental liberal democracy over all other systems and ideologies) ¹, is now struggling with an unprecedented course of direct and indirect restructure: more flexibility in management, dispersion of production and working in networks, fusions and creation of new production clusters, decrease in the power of trade unions, new organisational paradigms and methods based in technological inputs, to mention just a few.

Globalisation as a pure economical integration is something recent. But globalisation is not a process dominated solely by economic forces. It involves also important cultural and political aspects. One of the most important of these, in our opinion, is the development of new ideas about the role of the state and the possibilities of governance in relation to international trade.

Through early thinkers on the advanced capitalist societies such as Hobbes, Locke, Adam Smith, David Ricardo and Marx, we could have vibrant and long-lasting theoretical insights about the role of the State, but somehow in a framework dominated by regulation and where power forces could be easily identify. In our days, more recent theorisations of the state in the context of emerging relations in the global market agree in one point: the exercise of power has not one single epicentre.

In regard with all the inputs that can be take from early or late prominent thinkers, either we assume to live now in a polycentric and borderless world, in which the national is not anymore relevant or defend the idea that we still live in an international, instead of globalised, world, in which the national forces remain highly significant², the fact is that, today, it is not just governments who are ruling the world. And if we look specifically to the economic sphere, it is obvious that we have to take in account other sorts of “rulers”, besides de government.

¹ Namely through American thinkers as Francis Fukuyama in his best-seller book published in the nineties “The End of History and the Last Man”

² Dicken (2003)

*In the good all days, things were reasonable straightforward. There was government, sometimes democratic, sometimes not, which ruled, and there was the rest of the society, which was being ruled. The latter included the private sector. Even though there has been freedom of entrepreneurship in many places for quite some time, the rules of what an entrepreneur could and could not do were defined, often unilaterally, by government.*³

II. New models of governance

The term *governance* is referring to the exercise of power overall in both corporate and State contexts, and embraces action by executive bodies, assemblies (e.g. parliaments) and judicial bodies (e.g. national courts and tribunals). According to Rhodes, the concept of governance is currently used with at least six different meanings: the minimal State, corporate governance, new public management, good governance, social-cybernetic systems and self-organised networks⁴.

The term *networks* means negotiation between different agents, interacting on a permanent basis either to achieve particular profit or to obtain the higher possible parcel of collective returns. The notion of a clear separation of state and the rest of the society (people, firms and organisations) and the idea of the state as the epicentre of collective control can no longer be sustained. Policy today often comes about in a process in which both public and private actors are involved and decision-making structures are increasingly characterized by the dominance of informal and horizontal relations.

The exercise of “rule” became less monopolistic dominated by the State, in the aftermath of the first crises of the Fordist pattern of development: the high costs of social security systems, decreasing productivity, disruptions in social order, etc. In this process, the private sector started to build a growing resistance against government intervention. The majority of economies outside the socialist world, with state-commanded economies, became *mixed* economies.

From the 1980s onwards, the tendency has been for the state to withdraw from many areas of involvement. As pointed by Dicken, there has been a broadening and deepening *marketization* of the state’s activities, extending the principles of market transactions into

³ Messner and Meyer-Stamer (2000)

⁴ R. Rhodes, “The new governance: governing without government” (1996), taken from the EU Governance White-Paper, available in http://ec.europa.eu/governance/index_en.htm#1.

more and more aspects of public life⁵. Besides liberalisation and privatization, one process was strongly involved: *deregulation*.

*There was, however, something else which happened with respect to governance. One way of defining the term governance is to say that it means co-ordination – either by the invisible hand of the market or by the very visible, sometimes quite heavy hand of government. From an analytical perspective, it is obvious that both markets and governments suffer from certain typical failures. Some economists found an easy way of dealing with this: they claim that government failure is more costly than market failure, and that one basically has to live with certain market failures. Actors in the real world, however, found a different solution: They created, more or less spontaneously and without anybody planning this, a third variety of governance, namely networks.*⁶

Networks are therefore phenomena of advanced polycentric societies in which can no longer exists a central, hegemonic player. This view is opposite to the classical theory of the state, in which the state represented the head of a somewhat subordinated society.

III. Centralisation: empowerment and segregation

A central point to this debate is the notions of cooperation and exclusion. If networks are to be assumed as the new governance model, they must develop a culture of cooperation. Cooperation «serves to integrate networks, and it counteracts the virulent forces of disintegration, fragmentation and the *culture of separation*»⁷. Cooperation means also spatially centralisation of power, despite the increasing decentralisation of production.

This phenomena, in our opinion, is even more sharp in the western developed countries, with increasing economies based on the trading of services.

Producer service firms (accountants, advertisers, lawyers, financial institutions) tend to cluster together in major cities or in the so-called “world cities”. A world city is often referred as being a control centre of the global economy. It is where leading transnational

⁵ Dicken (2003)

⁶ Messner and Meyer-Stamer (2000)

⁷ Dubiel (1992), cit in Messner and Meyer-Stamer (2000)

corporations (TNC) manage their activities from and is it in this arena that private and state power forces are playing. In the words of Guiddens, these are core places for the *24-hour financial markets*⁸.

London is a good example of this situation, with its large concentration of financial and high-tech institutions and other supporting services. But the importance of London to this companies relays also in the fact that the city is part of a network of interconnected cities, either European or not.

So, the challenge of globalization and its impact begins by the understanding of how the rapid development of a unified world market has radically altered the sub-national balance of power and economic development, enriching some places, impoverishing others.

IV. Balance of powers in the sub-national sphere

Without question, globalization and the concentration of power centres has stimulated overall growth. However, the benefits and costs of this growth have been spread unevenly at a sub-national stage.

The capacities of places far from power centres to play a part in their own development and to exercise a degree of choice is still depending on the type and level of governance they are allowed to exercise amongst of different and sometimes conflicting goals existing at a national-level governance.

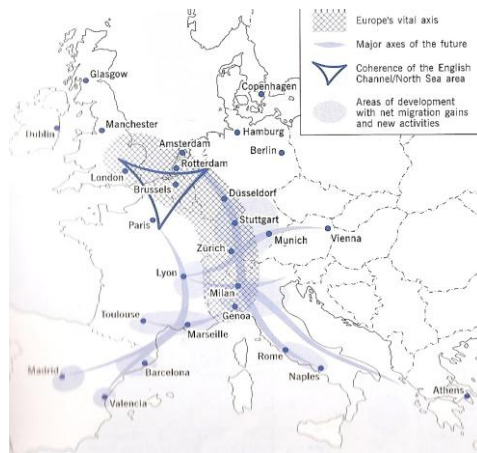
This phenomena requires the strengthening of appropriate governance and effective national planning mechanisms, with the balance of the roles of governance not purely in the public-private networking systems but also enhancing the role of local governance, more closely working with the civil society.

IV. Possibilities for Response

In a geo-economic approach, we may say that Globalisation may trigger a process of change which cannot be influenced by peripheral regions, but which can reshape them against their will. Taken as an example the formation of 'European vital axis' with places

⁸ A. Guiddens, cit in UN Economic and Social Council Report (1997), available in [http://www.unhchr.ch/Huridocda/Huridoca.nsf/0/0787bf8f329583948025665f0049b974/\\$FILE/G9712954.pdf](http://www.unhchr.ch/Huridocda/Huridoca.nsf/0/0787bf8f329583948025665f0049b974/$FILE/G9712954.pdf)

of convergence boosted, for example, by high-speed trains, this process may bring together many regions but exclude others and «produce shrinkage of the European Space»⁹ (Mega, 1999).



The main focus of politics should therefore be increasingly local if significant changes in the life chances, economic growth and development are the goals. People will be able to affect national state interventions in their favour only to the extent that they constitute themselves politically at the local level.

So, to the question *is there a role the State can play in promoting economic development?* We answer: yes, there is. But for this happens it should be promoted a broadened and better balanced exercise of power between all levels of governance.

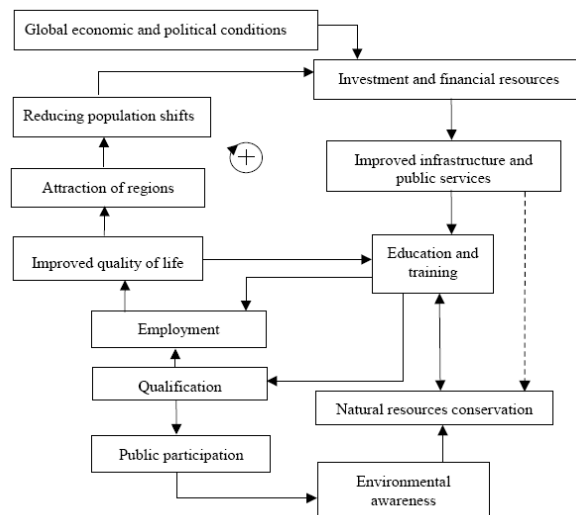


Fig 3: network of factors in implementing successful local policy in the globalisation process.¹⁰

⁹ Mega, V. (1999), cit in VV.AA MPI Report (2001)

¹⁰ Taken from VV.AA MPI Report (2001).

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