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Austrian Journal of Development Studies

Eine neue Ordnung der Macht?

Schwerpunktredeurin: Karin Fischer

Editorial	357
Artikel	
Giovanni Arrighi	
Der globale Markt	
Gemeinsamkeiten und Unterschiede zwischen dem Anfang und dem Ende des 20. Jahrhunderts	359
Saskia Sassen	
A New Cross-border Field for Public and Private Actors	
De-Nationalized State Agendas and Privatized Norm-Making	393
Peter Wahl	
Aporien internationaler Regulierung der Globalisierung	
Die WTO zwischen Global Governance und Krise	409
Weiterer Artikel	
Kristina Pirker	
„Die Welt ein wenig in Ordnung bringen ...“	
Arbeitskampf und Klassenbewusstsein bei den Arbeitern der städtischen Müllabfuhr von Villahermosa (Tabasco, México)	425
Rezension	
Über Autoren und Autorinnen	443
Über Autoren und Autorinnen	447
Informationen für Autoren und Autorinnen	448

A New Cross-border Field for Public and Private Actors¹ De-Nationalized State Agendas and Privatised Norm-Making

States today confront a new geography of power.² The changed condition of the state is often explained in terms of a decrease in regulatory capacities resulting from some of the basic policies associated with economic globalization: deregulation of a broad range of markets, economic sectors and national borders, and privatisation of public sector firms.

But in my reading of the evidence, this new geography of power confronting states entails a far more differentiated process than notions of an overall decline in the significance of the state suggest. And it entails a more transformative process of the state than the notion of a simple loss of power suggests.

We are seeing a repositioning of the state in a broader field of power and a reconfiguring of the work of states. This broader field of power is partly constituted through the formation of a new private institutional order linked to the global economy, but also through the growing importance of a variety of other institutional orders, from the new roles of the international network of NGOs to the international human rights regime. As for the work of states, or *raison d'état* – the substantive rationality of the state – has had many incarnations over the centuries. Each of these transformations has had significant consequences. Today, we may well be experiencing yet another phase.

We are seeing the emergence of a mostly, but not exclusively, private institutional order in formation, one wherein the strategic agents are not the national governments of leading, or newly leading countries. One of its marking features is its capacity to privatize what was heretofore public and to denationalize what were once national capacities and policy agendas. This capacity to privatize and de-nationalize entails specific transformations of the national state, more precisely of some of its specific components. Further, this new institutional order also has normative authority – a new normativity that is not embedded in what has been and to some extent remains the master normativity of modern times, *raison d'état*. This new normativity comes from the world of private power yet installs itself in the public realm and in so doing contributes to de-nationalize what had historically been constructed as national state agendas, notably the Keynesian agenda.

My argument here is not that we are seeing the end of states but, rather, that states are not the only or the most important strategic agents in the new configuration and, secondly, that states, including dominant states, have undergone profound transformations in the sense that they begin to function as the institutional home for the operation of powerful dynamics of denationalization of

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what were once national agendas. This, then, raises a question about what is national in several of the key institutional components of states linked to the implementation and regulation of economic globalisation.

The structural foundations for my argument lie in the current forms of economic globalization. Economic globalization, in my conception, has emerged as a key dynamic in the formation of a transnational system of power which is to a considerable extent disembedded from the formal interstate system. Economic globalization does not only have to do with crossing geographic borders, as is captured in measures of international investment and trade. It also has to do with the relocation of national public governance functions to transnational private arenas and with the development inside national states – through legislative acts, court rulings, executive orders – of the mechanisms necessary to accommodate the rights of global capital in what are still national territories under the exclusive control of their states, thereby de-nationalizing several highly specialized national institutional orders.

These transformations inside the state are partial and incipient but strategic and the new privatized institutional order in formation to govern key aspects of the global economy is also partial and incipient but strategic. Both of these have the capacity to alter possibly key aspects of the organizational architecture of the interstate system.

1. The State and Globalization

One of the roles of the state vis a vis today's global economy, unlike earlier phases of the world economy, has been to negotiate the intersection of national law and foreign actors – whether firms, markets or supranational organizations. This condition makes the current phase distinctive in a number of ways. We have, on the one hand, the existence of an enormously elaborate body of law developed in good measure over the last hundred years which secures the exclusive territorial authority of national states to an extent not seen in earlier centuries, and on the other, the considerable institutionalizing, especially in the 1990s, of the "rights" of non-national firms, cross-border transactions, and supranational organizations. This sets up the conditions for a necessary engagement by national states in the process of globalization.

The emergent, often imposed, consensus in the community of states to further globalization has created a set of specific obligations on participating states. The state remains as the ultimate guarantor of the "rights" of global capital, i.e. the protection of contracts and property rights. Thus the state has incorporated the global project of its own shrinking role in regulating economic transactions. Firms operating transnationally want to ensure the functions traditionally exercised by the state in the national realm of the economy, notably guaranteeing property rights and contracts. The state here can be conceived of as representing a technical administrative capacity which cannot be replicated

at this time by any other institutional arrangement; furthermore, this is a capacity backed by military power, with global power in the case of some states.

This guarantee of the rights of capital is embedded in a certain type of state, a certain conception of the rights of capital, and a certain type of international legal regime: it is largely embedded in the state of the most developed and most powerful countries in the world, in western notions of contract and property rights, and in a new legal regime aimed at furthering economic globalization.³ The U.S. as the hegemonic power of this period has led/forced other states to adopt these obligations towards global capital. And, in so doing, contributed to strengthen the forces that can challenge its power. The state continues to play a crucial, though no longer exclusive, role in the production of legality around new forms of economic activity, but increasingly this role has fed the power of a new emerging structure.

2. Denationalized State Agendas and Privatized Norm-making

We generally use terms such as "deregulation," financial and trade liberalization, and privatization, to describe the outcome of this negotiation. The problem with such terms is that they only capture the withdrawal of the state from regulating its economy. They do not register all the ways in which the state participates in setting up the new frameworks through which globalization is furthered; nor do they capture the associated transformations inside the state.

Central Banks are national institutions, concerned with national matters. Yet today, over the last decade, they have become the institutional home within the national state for policies that are necessary to further the development of a global capital market, and indeed, more generally, a global economic system. The new conditionality of the global economic system – the conditions that need to be met in order for a country to become integrated into the global capital market – contain as one key element the autonomy of central banks so that they may institute a certain kind of monetary policy. In most countries of the world the central bank has tended to be under the influence of the executive or of local oligarchies. Securing central bank autonomy certainly cleaned up a lot of corruption. But it has also been the vehicle for one set of accommodations on the part of national states to the requirements of the global capital market. From the perspective of research this entails the need to decode what is national about that particular set of activities of central banks.

At the level of theorization, it means capturing/conceptualizing a specific set of operations that take place within national institutional settings but are geared to non-national or transnational agendas where once they were geared to national agendas. I conceptualize this as de-nationalization – denationalization of specific, typically highly specialized, state institutional orders and of state agendas.⁴

There is a set of strategic dynamics and institutional transformations at work here. They may incorporate a small number of state agencies and units within

departments, a small number of legislative initiatives and of executive orders, and yet have the power to institute a new normativity at the heart of the state; this is especially so because these strategic sectors are operating in complex interactions with private, transnational, powerful, actors. Much of the institutional apparatus of the state remains basically unchanged. The inertia of bureaucratic organizations, which creates its own version of path dependence, makes an enormous contribution to continuity.

Further, the new types of cross-border collaborations among specialized government agencies concerned with a growing range of issues is another aspect of this participation by the state in the implementation of a global economic system. For instance, the growing interactions among anti-trust regulators of a large number of countries in the last three or four years, a period of reinvigorated anti-trust activities in the context of economic globalization has contributed to a growing convergence in anti-trust regulations of countries with very diverse competition laws (Portnoy 1999). This convergence around specific anti-trust issues frequently exists in an ocean of enormous differences among these countries in all kinds of laws and regulations about the economy. It is then a very partial and specialized type of convergence among regulators of different countries who often begin to share more than they may with colleagues back home in the larger bureaucracies within which they work. Yet another instance is the growing transactions among central bankers, necessary in the context of the global capital market. While central bankers have long interacted with each other across borders, we can clearly identify a new phase in the last ten years. I would think that another example would be the institutional and legal framework necessary for the operation of the cross-border commodity chains identified by Gereffi (1995) (see generally the work by Slaughter on transgovernmental networks; Castro 1999).

One outcome of these various trends is the emergence of a strategic field of operations that represents a partial disembedding of specific state operations from the broader institutional world of the state geared exclusively to national agendas. It is a fairly rarified field of cross-border transactions among government agencies and business sectors aimed at addressing the new conditions produced and demanded by economic globalization.

In positing this I am rejecting the prevalent notion in much of the literature on globalization that the realm of the national and the realm of the global are two mutually exclusive zones (Sassen 1999a). Globalization is partly endogenous to the national and is in this regard produced through a dynamic of de-nationalizing what had been constructed as the national. And it is partly embedded in the national, e.g. global cities, and in this regard requires that the state re-regulate specific aspects of its role in the national.

This is a field of transactions that are strategic, cut across borders, and entail specific interactions with private actors. They do not entail the state as such, as in international treaties, but rather consist of the operations and policies of specific sub-components of the state – whether legislative initiatives or some of

the agendas pursued by central banks, for instance. They cut across borders in that they concern the operations of firms and markets operating globally and hence produce a certain convergence at the level of national regulations and law in the creation of the requisite conditions for globalization.

By saying that they entail specific interactions with private actors I mean that it is not simply about interstate transactions, or a sub-field of the interstate system. On the contrary it is a field of transactions partly embedded in the inter-state system and partly in a new, increasingly institutionalized cross-border space of private agents/actors.

It is in this fairly rarified field of transactions, partly disembedded from the broader institutional world of the state, that what I call de-nationalized state agendas get defined and enacted. This field of transactions represents then an unbundling of whatever the condition of state bundling preceding the current period, the current period being one that is fully in swing for the case of the US by the mid 80s. This unbundling is also one element in the broader dynamic of a changed relation between sovereignty and national territory – a subject I began to work on in my book *Losing Control*.

But for all of this to happen, it took a broader normative transformation in matters concerning the substantive rationality of the state, matters concerning *raison d'état*. In good part this normative transformation is enacted outside the state and originates outside the inter-state system. Further, there is a multiplicity of private agents, some minor, some not so minor, that ensure and execute this new normative order.

This transformation has to do with the normative weight gained by the logic of the global capital market in setting criteria for key national economic policies (Sassen 1996: chapter 2). In the multiple negotiations between national states and global economic actors we can see a new normativity that attaches to the logic of the capital market and that is succeeding in imposing itself on important aspects of national economic policy making, though, as has been said often, some states are more sovereign than others in these matters. Some of the more familiar elements are the new importance attached to the autonomy of central banks, anti-inflation policies, exchange rate parity and the variety of items usually referred to as "IMF conditionality". In this new normative order, certain claims emerge as legitimate, others are delegitimated (generally matters concerned with the wellbeing of people at large).

I try to capture this normative transformation in the notion of a privatizing of certain capacities for making norms that we have associated with the state, at least in our recent history. This brings with it strengthened possibilities of norm-making in the interests of the few rather than the majority – which in itself is not novel, except in its further and sharper restricting of who might benefit.

3. A New Institutional Zone of Private Agents

While central, the role of the state in producing the legal encasements for economic operations is no longer what it was in earlier periods. Economic globalization has been accompanied by the creation of new legal regimes and legal practices and the expansion and renovation of some older forms that bypass national legal systems. This is evident in the rising importance of international commercial arbitration and the variety of institutions which fulfill rating and advisory functions that have become essential for the operation of the global economy (Dezalay and Garth 1996; Salacuse 1991; Sinclair 1994; Maxwell 1997).

One aspect of this question concerns the particular forms of legal innovation that have been produced and within which much of globalization is encased, framed; and, further, how these innovations interact with the state, or more specifically, with the sovereignty of the state. These legal innovations and changes are often summarized under the notion of "deregulation" and taken as somewhat of a given. In much social science, deregulation is another name for the declining significance of the state. There is, it seems to me, a more specific process contained in these legal changes, one that along with the reconfiguration of space may signal a more fundamental transformation in the matter of sovereignty, pointing to new contents and new locations for that particular systemic property we call sovereignty.

The emerging privatized institutional framework to govern the global economy has possibly major implications for the exclusive authority of the modern national state over its territory, that is, its exclusive territoriality. There is a new set of intermediary strategic agents that contribute to the management and coordination of the global economy. They are largely, though not exclusively, private. And they have absorbed some of the international functions carried out by states in the recent past, for instance in the predominantly protectionist regimes of the post-world war II decades through which governments governed international trade.

For instance, over the past 20 years, international commercial arbitration has been transformed and institutionalized as the leading contractual method for the resolution of transnational commercial disputes.⁵ In a major study on international commercial arbitration, Dezalay and Garth (1996) conclude that it is a delocalized and decentralized market for the administration of international commercial disputes, connected by more or less powerful institutions and individuals who are both competitive and complementary (see also Salacuse 1991). Another instance of a private regulatory system is represented by debt security or bond rating agencies which have come to play an increasingly important role in the global economy (Sinclair 1997; Maxwell 1997). Ten years ago Moody's and Standard and Poor had no analysts outside the U.S.; by 1999 they each had well over a thousand (Sassen 1999c).

Private firms in international finance, accounting and law, the new private standards for international accounting and financial reporting, and supra-national organizations such as WTO, all play strategic non-government centered

governance functions. The events following the Mexico crisis provide us with some interesting insights about these firms' role in changing the conditions for financial operation, about the ways in which national states participated, and the formation of a new institutionalized intermediary space.

J. P. Morgan worked with Goldman Sachs and Chemical Bank to develop several innovative deals that brought back investors to Mexico's markets.⁶ Further, in July 1996, an enormous 6US\$ five year deal that offered investors a Mexican floating rate note or syndicated loan – backed by oil receivables from the state oil monopoly PEMEX – was twice oversubscribed. It became somewhat of a model for asset-backed deals from Latin America, especially oil-rich Venezuela and Ecuador. Key to the high demand was that the structure had been designed to capture investment grade ratings from S&P and Moody's (it got BBB- and Baa3). This was the first Mexican deal with an investment grade. The intermediaries worked with the Mexican government, but on their terms – this was not a government to government deal. This secured acceptability in the new institutionalized privatized intermediary space for cross-border transactions – evidenced by the high level of oversubscription and the high ratings. And it allowed the financial markets to grow on what had been a crisis.

After the Mexico crisis and before the first signs of the Asian crisis, we see a large number of very innovative deals that contribute to further expand the volumes in the financial markets and to incorporate new sources of profit, that is, debts for sale (for a more detailed account of these deals see Sassen 1999a). Typically these deals involved novel concepts of how to sell debt and what could be a saleable debt. Often the financial services firms structuring these deals also implemented minor changes in depository systems to bring them more in line with international standards. The aggressive innovating and selling on the world market of what had hitherto been thought to be too illiquid and too risky for such a sale further contributed to expand and strengthen the institutionalization of this intermediary space for cross-border transactions operating partly outside the inter-state system. The new intermediaries have done the strategic work, a kind of "activism" towards ensuring growth in their industry and to overcome the potentially devastating effects of financial crises on the industry as a whole and on the whole notion of integrated global financial markets.

Finally, the growing importance and formalization of what is now generally referred to as private authority is yet another component of the new privatized institutional order through which the global economy is governed and organized (see, e.g. Bierstecker et al. forthcoming; Cutler et al. 1999; Hall 1999 among others). One important component of this development is the emergence of self-regulation in economic sectors dominated by a limited number of firms. It indicates the extent to which the global economic system needs governance and regulation, though of a different sort from that associated with the older normality of the Keynesian state (Sassen 1996: chapter 2).

These and other such transnational institutions and regimes do raise important and difficult questions about the relation between the state and economic

globalization. As Rosenau has noted, because so many processes are transnational, governments increasingly are not competent to address some of the major issues confronting our societies; this is not the end of sovereignty, but rather an alteration in the "exclusivity and scope" of the competence of governments.⁷

4. A New Spatiality: The Cross-border Network of Global Cities

There is, further, a question about the spaces of the global economy and how this in turn interacts with national sovereignty. As I have argued at length elsewhere, the spaces of economic globalization are partly embedded in what has historically been constructed as national territory, yet they constitute a spatiality that is distinct from that of the national. Much of the work of the state I described above as the formation of de-nationalized government agendas and much of what the private legal regimes are about has to do precisely with the fact of the institutional and locational embeddedness of economic globalization in national settings and the need to negotiate this embeddedness of global actors in national settings while at the same time the processes constitutive of globalization produce a distinct spatiality.⁸

In what follows I want to describe briefly the logic of this locational embeddedness because it is part of the spatiality of the global economy. Here I confine myself to a brief description of how the leading economic sectors and command functions of the global economy wind up embedded in these national settings. This institutional and locational embeddedness of globalization represents a deepening of the institutional base of economic globalization and a greater complexity in that what we might still think of as the national institutional order and national territory is actually becoming imbricated with the global.

The geographic dispersal of factories, offices and service outlets that has marked the expansion of the global economy has taken place as part of integrated corporate systems. When dispersal occurs as part of such systems, particularly ones with centralized top level control, there is also a growth in central functions. My argument is that the more globalized firms become, the more their central functions grow – in importance, in complexity, in number of transactions.⁹ Of importance to the analysis here is the dynamic that connects the dispersal of economic activities with the ongoing weight and often growth of central functions.

In terms of the territorial state and globalization this means that an interpretation of the impact of globalization as creating a space economy that extends beyond the regulatory capacity of a single state, is only half the story; the other half is that these central functions are disproportionately concentrated in the national territories of the highly developed countries.

I should perhaps clarify that by central functions I do not only mean top level headquarters; I am referring to all the top level financial, legal, accounting, managerial, executive, planning functions necessary to run a corporate organization operating in more than one country, and increasingly in several coun-

tries. These central functions are partly embedded in headquarters, but also in good part in what has been called the corporate services complex, that is, the network of financial, legal, accounting, advertising and other corporate services firms that handle the complexities of operating in more than one national legal system, national accounting system, advertising culture, etc. and do so under conditions of rapid innovations in all these fields (see e.g. Knox and Taylor 1995; Brothie et al. 1995; Moulaert and Scott 1997). Such services have become so specialized and complex, that headquarters increasingly buy them from specialized firms rather than producing them in-house. I have conceptualized this as a networked specialized service sector of firms producing central functions for the management and coordination of global economic systems, and as marking the specific production function of global cities. This networked specialized service sector is disproportionately concentrated in the major cities of the highly developed countries (see also Allen et al. 1999; Hiltz et al. 1995). This concentration of functions represents a strategic factor in the organization of the global economy.

One argument I am making here is that it is important to unbundle analytically the fact of strategic functions for the global economy or for global operation, and the overall corporate economy of a country.¹⁰ They are not completely overlapping worlds; many components of a country's corporate economy have little to do with globalization and, conversely, many "national" corporate sectors have become deeply globalized in their orientation and have little resemblance to their erstwhile national-market orientation. For the purposes of many kinds of inquiry this distinction may not matter; for the purposes of understanding the global economy, it does.

Another instance today of this negotiation between a transnational process or dynamic and a national territory is that of the global financial markets. These transactions are partly embedded in telecommunications systems that make possible the instantaneous transmission of money/information around the globe. Much attention has gone to this feature. But the other half of the story is the extent to which the global financial markets are located in particular cities in the highly developed countries; indeed, the degrees of concentration are unexpectedly high (Sassen 1999c). The topography of activities in many of the global digitalized industries such as finance actually weaves in an out of digital space; and when it moves out of digital space and hits the ground it does so in massive concentrations of very material resources, from infrastructure to buildings.

The drive to secure the institutional and legal transformations discussed in the preceding sections is in good part explained by the necessary embeddedness of even the most strategic functions in national institutional settings. Operating a worldwide network of factories, offices and service outlets, and implementing global financial markets, required major and minor legal innovations in national legal systems and the creation of whole new frameworks outside national systems.

5. Conclusion

The new geography of global economic processes, the strategic territories for economic globalization, had to be produced, both in terms of the practices of corporate actors and the requisite infrastructure (i.e. global cities), and in terms of the work of the state in producing or legitimating new legal regimes. The outcome is an emergent new spatio-temporal order that has considerable governance capabilities and structural power. While partially embedded in national institutional settings it is distinct from these. One way of conceiving of it is as a denationalized, mostly privatized order. Because it is partly installed in national settings, its identification requires a decoding of what is national in the national. The social sciences are not well equipped for this task given a strong state-centric approach to theory and research.

From the angle of my research I would posit that we can list at least the following consequences for the state, the interstate system and international law. Firstly, the fact of a growth in cross-border activities and global actors operating outside the formal inter-state system, affects the competence and scope of states and of international law. Secondly, the fact that this domain is increasingly being institutionalized and subjected to the development of private governance mechanisms, affects the exclusivity of state authority and of international law. Thirdly, the fact of growing normative powers in this private domain affects the normative power of international law. Fourthly, the state's participation in the re-regulation of its role in the economy and the incipient de-nationalization of particular institutional components of the state necessary to accommodate some of the new policies linked to globalization, transform key aspects of the state and in so doing alter the organizational architecture for the inter-state system and for international law.

This institutional order contributes to strengthen the advantages of certain types of economic and political actors and to weaken those of others. It is extremely partial rather than universal, but strategic in that it has undue influence over wide areas of the broader institutional world and the world of lived experience yet is not fully accountable to formal democratic political systems. This new institutional spatio-temporal order I am identifying here exists in good part outside the state and the interstate system and cannot be thought of as a primarily geographic entity but rather needs to be conceived in spatial terms, where space is itself productive of the new dynamics of power and control as well as produced by these. Space is not a mere container or *tabula rasa*. Moving from territorial organizations such as the modern state to spatial orders is no easy analytic task and what I briefly presented here is but a mere set of elements.

Abstracts

Die Nationalstaaten sehen sich heute einer neuen Geografie der Macht gegenüber. Dieser Prozess kann nicht vereinfachend als ein Machtverlust des Nationalstaates beschrieben werden. Die Bedeutung und Rolle des Staates transformieren sich im Rahmen neuer privater institutioneller Ordnungen, die mit der globalen Ökonomie verbunden sind. Zentrales Anliegen dieses Beitrages ist es zu zeigen, auf welche Weise der Staat bei der Steuerung globaler ökonomischer Prozesse, die wesentlich bestimmt sind durch Deregulierung, Privatisierung und den wachsenden Einfluss nichtstaatlicher Akteure, mitwirkt. Der Staat bleibt dabei als Garant für die Implementierung neuer politischer Regime wichtig. Herausgearbeitet wird, wie der Staat dazu beiträgt, die Macht und die Legitimität privatisierter und de-nationalisierter Autorität/Macht zu stärken. Das Ergebnis ist eine neue Ordnung der Macht, die die institutionelle Welt beeinflusst und verändert. Angelpunkt dabei ist die Möglichkeit zu privatisieren (was vormals öffentlich war) und zu de-nationalisieren, was vormals staatliche Kompetenz und Politikfelder waren. Diese Veränderung innerhalb der Staaten und die neu aufkommende privatisierte institutionelle Ordnung können die Bedingungen liberaler Demokratien und das internationale Rechtssystem untergraben.

States today confront a new geography of power. This process cannot be simply described as an overall decline in the significance of the state, but as a transformative process: We are seeing repositioning of the state in a broader field of power, which is constituted through the formation of a new private institutional order linked to the global economy. A central effort in this paper is to recover the ways in which the state participates in governing the global economy in a context increasingly dominated by deregulation, privatisation and the growing authority of non-state actors. In many of these new dynamics, the state continues to play an important role, often as the provider of the institutional home for the enactment of the new policy regimes we associate with globalization. It is argued that the mode in which this participation by the state has evolved has been towards strengthening the power and legitimacy of privatized and de-nationalized state authorities. The outcome is an emergent new spatio-temporal order, which influences the broader institutional world. A crucial point is the capacity to privatize what was heretofore public and to denationalize what were once national authorities and policy agendas. The particular transformations inside the state and the new emergent privatized institutional order have the capacity to alter conditions for liberal democracy and the organizational architecture for international law.

Notes

- 1 This is based on the author's "De-Nationalized State Agendas and Privatized Norm-Making." Inaugural Lecture, Division of Social Sciences, University of Chicago, April 28 1999.
- 2 Many scholars coming at the subject from a variety of angles on the subject would agree, even as they might use other vocabularies. See, e.g. Hobsbawm 1994; Tilly 1995; Jessop

1999. See also various chapters in each of the following collections to get a cross-section of perspectives: Mittelman 1996, Olds et al. 1999, Smith et al. 1999, and Calabrese and Burgelman 1999 just to cite English language literature.

3 This dominance assumes many forms and does not only affect poorer and weaker countries. France, for instance, ranks among the top providers of information services and industrial engineering services in Europe and has a strong though not outstanding position in financial and insurance services. But it has found itself at an increasing disadvantage in legal and accounting services because Anglo-Saxon law dominates in international transactions. Foreign firms with offices in Paris dominate the servicing of the legal needs of firms, whether French or foreign, operating out of France. Similarly, Anglo-American law is increasingly dominant in international commercial arbitration, an institution grounded in continental traditions of jurisprudence, particularly French and Swiss (Dezalay and Garth 1995).

4 In my current research I am extricating a whole series of legislative items and executive orders that can be read as accommodations on the part of the national state and as its active participation in producing the conditions for economic globalization. This is a history of micro-interventions, often minute transformations in our regulatory or legal frameworks that facilitated the extension of cross-border operations of US firms. This is clearly not a new history, not for the US nor for other western former imperial powers. Yet, I argue, that we can identify a new phase, one which has very specific instantiations of this broader feature. I am trying to distinguish this from older notions of the state as a tool for capital, comprador bourgeoisies, or neo-colonialism. One of the first of these new types of measures, and perhaps one of the best known, are the tariff items passed to facilitate the internationalization of manufacturing, which exempted firms from import duties on the value added of reimported components assembled or manufactured in off-shore plants. I date this microhistory of legislative and executive interventions to the late 1960s, with a full crystallization of various measures facilitating the global operations of US firms and the globalization of markets in the 1980s, and work continuing vigorously in the 1990s. The Foreign Investment Act of 1976, the implementation of International Banking Facilities in 1981, the various deregulations and liberalizations of the financial sector in the 1980s, and so on, these are but the best know landmarks in this microhistory.

5 Today international business contracts for, e.g. the sale of goods, joint ventures, construction projects, or distributorships, typically call for arbitration in the event of a dispute arising from the contractual arrangement. The main reason given today for this choice is that it allows each party to avoid being forced to submit to the courts of the other. Also important is the secrecy of the process. Such arbitration can be "institutional" and follow the rules of institutions such as the International Chamber of Commerce in Paris, the American Arbitration Association, the London Court of International Commercial Arbitration, or many others. Or it can be "ad hoc", often following the rules of the UN Commission on International Trade Law (UNCITRAL). The arbitrators are private individuals selected by the parties; usually there are 3 arbitrators. They act as private judges, holding hearings and issuing judgments.

6 The 40 US\$ billion emergency loan package from the IMF and the US government and the hiring of Wall Street's top firms to refurbish its image and find ways to bring it back into the market, helped Mexico "solve" its financial crisis. With J. P. Morgan as its financial advisor the Mexican government worked with Goldman Sachs and Chemical Bank to come up with several innovative deals. Goldman organized a US\$ 1.75 billion Mexican sovereign deal in which the firm was able to persuade investors in May 1996 to swap Mexican Brady bonds collateralized with US Treasury bonds (Mexican Bradys were a component of almost any emerging market portfolio until the 1994 crisis) for a 30 year naked Mexican risk. This is in my reading quite a testimony to the aggressive innovations that characterize the financial markets and to the importance of a whole new subculture in international finance that facilitates the circulation, i.e. sale, of these instruments.

7 There is a wider systemic process here that needs to be distinguished from the effects of globalization. There is a worldwide and apparently growing distrust of governments and bureaucracies. Shapiro (1993) finds that this has contributed to the emergence of certain commonalities in law, notably the growing importance of constitutional individual rights

that protect the individual from the state and other organizations. The particular hallmark of American constitutionalism is constitutional judicial review, which now has also emerged endogenously in Germany and Italy, and to some extent even in France (where there now is an active constitutional court and a constitutional bill of rights). The Court of Justice of the EU has evolved into a constitutional court with human rights jurisdiction (which entailed that constitutions and rights had to come about in Europe) (Sassen 1996: chapters 2 and 3). Some of the intellectual technology that Foucault noted governments have and allow them to control, i.e. governmentality are now shifted to non-state institutions.

8 For an excellent examination of the question of space in this context see Brenner (1998). For a theorized account of the spatialities and temporalities of the global see Sassen 2000.

9 This process of corporate integration should not be confused with vertical integration as conventionally defined. Gereffi's elaboration of Polanyi's commodity chains and Porter's value added chains, also illustrate the difference between corporate integration at a world scale and vertical integration as conventionally defined.

10 These global control and command functions are partly embedded in national corporate structures but also constitute a distinct corporate subsector. This subsector can be conceived of as part of a network that connects global cities across the globe. In this sense, global cities are different from the old capitals of erstwhile empires, in that they are a function of crossborder networks rather than simply the most powerful city of an empire. There is, in my conceptualization, no such entity as a single global city as there could be a single capital of an empire; the category global city only makes sense as a component of a global network of strategic sites.

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