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Introduction

GLOBALIZATION became a buzzword in the 1990s, as "inter-dependence" did in the 1970s. Sometimes, it seems to refer to anything that the author thinks is new or trendy. But globalization, as this book shows, refers to real changes of fundamental importance. These changes have profound implications for politics as well as for economics, military activities, and the environment. In this book we ask three fundamental questions. One, how are patterns of globalization evolving in the first part of the twenty-first century? Two, how does this affect governance, previously closely associated with the nation-state? Three, how might globalism itself be governed?

Globalization will affect governance processes and be affected by them. Frequent financial crises of the magnitude of the crisis of 1997–99 could lead to popular movements to limit interdependence and to a reversal of economic globalization. Chaotic uncertainty is too high a price for most people to pay for somewhat higher average levels of prosperity. Unless some aspects of globalization can be effectively governed, it may not be sustainable in its current form. Complete laissez-faire was not a viable option during earlier periods of globalization and is not likely to be viable now. The question is not—will globalization be governed?—but rather, *how* will globalization be governed?

Defining Globalism

Globalism is a state of the world involving networks of interdependence at multicontinental distances.[1] These networks can be linked through flows and influences of capital and goods, information and ideas, people and force, as well as environmentally and biologically relevant substances (such as acid rain or pathogens). Globalization and deglobalization refer to the increase or decline of globalism. In comparison with interdependence, globalism has two special characteristics:[2]

—Globalism refers to networks of connections (multiple relationships), not simply to single linkages. We would refer to economic or military interdependence between the United States and Japan but not to globalism between the United States and Japan. U.S.-Japanese interdependence is part of contemporary globalism but by itself is not globalism.

—For a network of relationships to be considered "global," it must include multicontinental distances, not simply regional networks. Distance is of course a continuous variable, ranging from adjacency (for instance, between the United States and Canada) to opposite sides of the globe (for instance, Britain and Australia). Any sharp distinction between "long-distance" and "regional" interdependence is therefore arbitrary, and there is no point in deciding whether intermediate relationships— say, between Japan and India or between Egypt and South Africa—would qualify. Yet "globalism" would be an odd word for proximate regional relationships. Globalization refers to the shrinkage of distance but on a large scale. It can be contrasted with localization, nationalization, or regionalization.

Some examples may help. Islam's quite rapid diffusion from Arabia across Asia to what is now Indonesia was a clear instance of globalization; but the initial movement of Hinduism across the Indian subcontinent was not, according to our definition. Ties among the countries of the Asia-Pacific Economic Cooperation Forum (APEC) qualify as multicontinental interdependence, because these countries include the Americas as well as Asia and Australia; but the Association of Southeast Asian Nations (ASEAN) is regional.

Globalism does not imply universality. At the turn of the millennium, a quarter of the American population used the World Wide Web compared with one hundredth of 1 percent of the population of South Asia. Most people in the world today do not have telephones; hundreds of millions of people live as peasants in remote villages with only slight connections to

world markets or the global flow of ideas. Indeed, globalization is accompanied by increasing gaps, in many respects, between the rich and the poor. It does not imply homogenization or equity.[3] As Jeffrey Frankel and Dani Rodrik show in their chapters, an integrated world market would mean free flows of goods, people, and capital, and convergence in interest rates. That is far from the facts. While world trade grew twice as fast and foreign direct investment three times as fast as world output in the second half of the twentieth century, Britain and France are only slightly more open to trade (ratio of trade to output) today than in 1913, and Japan is less so. By some measures, capital markets were more integrated at the beginning of the century, and labor is less mobile than in the second half of the nineteenth century when 60 million people left Europe for new worlds.[4] In social terms, contacts among people with different religious beliefs and other deeply held values have often led to conflict.[5] Two symbols express these conflicts: the notion of the United States as the Great Satan, held by Islamic fundamentalism in Iran; and student protestors' erection in Tiananmen Square in China, in 1989, of a replica of the Statue of Liberty. Clearly, in social as well as economic terms, homogenization does not follow necessarily from globalization.

The Dimensions of Globalism

Interdependence and globalism are both multidimensional phenomena. All too often, they are defined in strictly economic terms, as if the world economy defined globalism. But other forms of globalism are equally important. The oldest form of globalization is environmental: climate change has affected the ebb and flow of human populations for millions of years. Migration is a long-standing global phenomenon. The human species began to leave its place of origin, Africa, about 1.25 million years ago and reached the Americas sometime between 30,000 and 13,000 years ago. One of the most important forms of globalization is biological. The first smallpox epidemic is recorded in Egypt in 1350 B.C. It reached China in 49 A.D., Europe after 700; the Americas in 1520, and Australia in l789.[6] The plague or Black Death originated in Asia, but its spread killed a quarter to a third of the population of Europe between 1346 and 1352. When Europeans journeyed to the New World in the fifteenth and sixteenth centuries they carried pathogens that destroyed up to 95 percent of the indigenous population.[7] Today, human impact on global climate change could affect the lives of people everywhere. However, not all effects of environmental globalism are

adverse. For instance, nutrition and cuisine in the Old World benefited from the importation of such New World crops as the potato, corn, and the tomato.[8]

Military globalization dates at least from the time of Alexander the Great's expeditions of 2,300 years ago, which resulted in an empire that stretched across three continents from Athens through Egypt to the Indus. Hardest to pin down, but in some ways the most pervasive form of globalism, is the flow of information and ideas. Indeed, Alexander's conquests were arguably most important for introducing Western thought and society, in the form of Hellenism, to the eastern world.[9] Four great religions of the world—Buddhism, Judaism, Christianity, and Islam—have spread across great distances over the past two millennia; and in this age of the Internet other religions such as Hinduism, formerly more circumscribed geographically, are doing so as well.[10]

Analytically, we can differentiate dimensions according to the types of flows and perceptual connections that occur in spatially extensive networks:

—Economic globalism involves long-distance flows of goods, services, and capital, and the information and perceptions that accompany market exchange. It also involves the organization of the processes that are linked to these flows: for example, the organization of low-wage production in Asia for the U.S. and European markets. Indeed, some economists define globalization in narrowly economic terms as "the transfer of technology and capital from high-wage to low-wage countries, and the resulting growth of labor-intensive Third World exports."[11] Economic flows, markets, and organization, as in multinational firms, all go together. In chapter 2, Jeffrey Frankel describes the current state of economic globalism.

—Military globalism refers to long-distance networks of interdependence in which force, and the threat or promise of force, are employed. A good example of military globalism is the "balance of terror" between the United States and the Soviet Union during the cold war. Their strategic interdependence was acute and well recognized. Not only did it produce world-straddling alliances, but either side could have used intercontinental missiles to destroy the other within thirty minutes. It was distinctive not because it was totally new, but because the scale and speed of the potential conflict arising from interdependence were so enormous. In chapter 3, Graham Allison explains how military and other forms of globalism are changing conceptions of security.

—Environmental globalism refers to the long distance transport of materials in the atmosphere or oceans or of biological substances such as pathogens or genetic materials that affect human health and well-being. Examples include the depletion of the stratospheric ozone layer as a result of ozone-depleting chemicals; human-induced global warming, insofar as it is occurring; the spread of the AIDs virus from central Africa around the world beginning at the end of the 1970s. As in the other forms of globalism, the transfer of information is important, both directly and through the movement of genetic material and indirectly as a result of inferences made on the basis of material flows. Some environmental globalism may be entirely natural—the earth has gone through periods of warming and cooling since before the human impact was significant—but much of the recent change has been induced by human activity, as William C. Clark describes in chapter 4.

—Social and cultural globalism involves movements of ideas, information, and images, and of people—who of course carry ideas and information with them. Examples include the movement of religions or the diffusion of scientific knowledge. An important facet of social globalism involves imitation of one society's practices and institutions by others: what some sociologists refer to as "isomorphism."[12] Often, however, social globalism has followed military and economic globalism. Ideas and information and people follow armies and economic flows, and in so doing, transform societies and markets. At its most profound level, social globalism affects the consciousness of individuals and their attitudes toward culture, politics, and personal identity. Indeed, as Neal M. Rosendorf describes in chapter 5, social and cultural globalism interacts with other types of globalism, since military and environmental, as well as economic, activity convey information and generate ideas, which may then flow across geographical and political boundaries. In the current era, as the growth of the Internet reduces costs and globalizes communications, the flow of ideas is increasing independent of other forms of globalization. Deborah Hurley and Viktor Mayer-Schoenberger explore the information dimensions of social globalism in chapter 6.

One could imagine other dimensions. For example, political globalism could refer to that subset of social globalism that refers to ideas and information about power and governance. It could be measured by imitation effect (for example, in constitutional arrangements or the number of democratic states) or by the diffusion of government policies, or of international

regimes. Legal globalism could refer to the spread of legal practices and institutions to a variety of issues, including world trade and the criminalization of war crimes by heads of state. Globalization occurs in other dimensions as well—for instance, in science, entertainment, fashion, and language.

One obvious problem with considering all these aspects of globalism to be dimensions on a par with those we have listed is that when categories proliferate, they cease to be useful. To avoid such proliferation, therefore, we treat these dimensions of globalism as subsets of social and cultural globalism. Political globalism seems less a separate type than an aspect of any of our four dimensions. Almost all forms of globalization have political implications. For example, the World Trade Organization (WTO), Non-Proliferation Treaty (NPT), Montreal Convention, and United Nations Educational, Scientific, and Cultural Organization are responses to economic, military, environmental, and social globalization.

In the aftermath of Kosovo and East Timor, ideas about human rights and humanitarian interventions versus classical state sovereignty formulations were a central feature of the 1999 UN General Assembly. UN Secretary General Kofi Annan argued that in a global era, "The collective interest is the national interest," and South African President Thabo Mbeki stated that "the process of globalization necessarily redefines the concept and practice of national sovereignty." President Abdelaziz Bouteflika of Algeria, the head of the Organization of African Unity, replied that he did not deny the right of northern public opinion to denounce breaches of human rights, but "sovereignty is our final defense against the rules of an unequal world," and that "we [Africa] are not taking part in the decision-making process."[13] These were debates about the political implications of social and military globalization, rather than about political globalization as distinct from its social and military dimensions.

The division of globalism into separate dimensions is inevitably somewhat arbitrary. Nonetheless, it is useful for analysis, because changes in the various dimensions of globalization do not necessarily co-vary. One can sensibly say, for instance, that "economic globalization" took place between approximately 1850 and 1914, manifested in imperialism and in increasing trade and capital flows between politically independent countries; and that such globalization was largely reversed between 1914 and 1945. That is, economic globalism rose between 1850 and 1914 and fell between 1914 and 1945. However, military globalism rose to new heights during the two world wars, as did many aspects of social globalism. The worldwide influenza epidemic of 1918–19, which took 21 million lives, was propa-

gated by the flows of soldiers around the world.[14] So did globalism decline or rise between 1914 and 1945? It depends on the dimension of globalism one is referring to. Without an adjective, general statements about globalism are often meaningless or misleading.

Thick Globalism: What's New?

When people speak colloquially about globalization, they typically refer to recent increases in globalism. Comments such as "globalization is fundamentally new" only make sense in this context but are nevertheless misleading. We prefer to speak of globalism as a phenomenon with ancient roots and of globalization as the process of increasing globalism, now or in the past.

The issue is not how old globalism is, but rather how "thin" or "thick" it is at any given time.[15] As an example of "thin globalization," the Silk Road provided an economic and cultural link between ancient Europe and Asia, but the route was plied by a small group of hardy traders, and the goods that were traded back and forth had a direct impact primarily on a small (and relatively elite) stratum of consumers along the road. In contrast, "thick" relations of globalization involve many relationships that are intensive as well as extensive: long-distance flows that are large and continuous, affecting the lives of many people. The operations of global financial markets today, for instance, affect people from Peoria to Penang. "Globalization" is *the process by which globalism becomes increasingly thick.*

Often, contemporary globalization is equated with Americanization, especially by non-Americans who resent American popular culture and the capitalism that accompanies it. In 1999, for example, some French farmers protecting "culinary sovereignty" attacked McDonald's restaurants.[16] Several dimensions of globalism are indeed dominated today by activities based in the United States, whether on Wall Street, in the Pentagon, in Cambridge, in Silicon Valley, or in Hollywood. If we think of the content of globalization being "uploaded" on the Internet, then "downloaded" elsewhere, more of this content is uploaded in the United States than anywhere else.[17] However, globalization long predates Hollywood and Bretton Woods. The spice trade and the intercontinental spread of Buddhism, Christianity, and Islam preceded by many centuries the discovery of America, much less the formation of the United States. In fact, the United States itself is a product of seventeenth- and eighteenth-century globalization. Japan's importation of German law a century ago, contemporary ties between Japan and Latin

American countries with significant Japanese-origin populations, and the lending by European banks to emerging markets in East Asia also constitute examples of globalization not focused on the United States. Hence, globalism is not intrinsically American, even if its current phase is heavily influenced by what happens in the United States.

Globalism today is America-centric, in that most of the impetus for the information revolution comes from the United States, and a large part of the content of global information networks is created in the United States. However, the ideas and information that enter global networks are downloaded in the context of national politics and local cultures, which act as selective filters and modifiers of what arrives. Political institutions are often more resistant to transnational transmission than popular culture. Although the Chinese students in Tiananmen Square in 1989 built a replica of the Statue of Liberty, China has emphatically not adopted U.S. political institutions. Nor is this new. In the nineteenth century, Meiji reformers in Japan were aware of Anglo-American ideas and institutions but deliberately turned to German models because they seemed more congenial.[18] For many countries today, as Frederick Schauer shows, Canadian constitutional practices, with their greater emphasis on duties, or German laws, restrictive of racially charged speech, are more congenial than those of the United States.[19] And Kamarck's chapter shows that the current wave of imitation of government reform started in Britain and New Zealand, not the United States.

The central position of the United States in global networks creates "soft power": the ability to get others to want what Americans want.[20] But the processes are in many respects reciprocal, rather than one way. Some U.S. practices are very attractive to other countries—honest regulation of drugs, as in the Food and Drug Administration (FDA); transparent securities laws and practices, limiting self-dealing, monitored by the Securities and Exchange Commission (SEC). U.S.-made standards are sometimes hard to avoid, as in the rules governing the Internet itself. But other U.S. standards and practices—from pounds and feet (rather than the metric system) to capital punishment, the right to bear arms, and absolute protection of free speech—have encountered resistance or even incomprehension. Soft power is a reality, but it does not accrue to the United States in all areas of life, nor is the United States the only country to possess it.

Is there anything about globalism today that is fundamentally different? Every era builds on others. Historians can always find precursors in the past for phenomena of the present, but contemporary globalization goes "faster,

cheaper and deeper."[21] The degree of thickening of globalism is giving rise to increased density of networks, increased "institutional velocity," and increased transnational participation.

Economists use the term "network effects" to refer to situations in which a product becomes more valuable once many other people also use it. This is why the Internet is causing such rapid change.[22] Joseph Stiglitz, former chief economist of the World Bank, argues that a knowledge-based economy generates "powerful spillover effects, often spreading like fire and triggering further innovation and setting off chain reactions of new inventions. . . . But goods—as opposed to knowledge—do not always spread like fire."[23] Moreover, as interdependence and globalism have become thicker, the systemic relationships among different networks have become more important. There are more interconnections among the networks. As a result, "system effects" become more important.[24] Intensive economic interdependence affects social and environmental interdependence, and awareness of these connections in turn affects economic relationships. For instance, the expansion of trade can generate industrial activity in countries with low environmental standards, mobilizing environmental activists to carry their message to the newly industrializing but environmentally lax countries. The resulting activities may affect environmental interdependence (for instance, by reducing cross-boundary pollution) but may generate resentment in the newly industrializing country, affecting social and economic relations.

The extensivity of globalism means that the potential connections occur worldwide, sometimes with unpredictable results. Even if we thoroughly analyzed each individual strand of interdependence between two societies, we might well miss the synergistic effects of relationships between these linkages between societies.

Environmental globalism illustrates the point well. When scientists in the United States discovered chlorofluorocarbons (CFCs) in the 1920s, they and many others were delighted to have such efficient chemicals available for refrigeration (and other purposes) that were chemically inert, hence not subject to explosions and fires. Only in the 1970s was it suspected, and in the 1980s proved, that CFCs depleted the stratospheric ozone layer, which protects human beings against harmful ultraviolet rays. The environmental motto, "Everything is connected to everything else," warns us that there may be unanticipated effects of many human activities, from burning of carbon fuels (generating climate change) to genetically modifying crops grown for food.

As William C. Clark's chapter shows, environmental globalism has political, economic, and social consequences. Discoveries of the ozone-depleting properties of CFCs (and other chemicals) led to this issue being put on international agendas, intranational, international, and transnational controversies about it, and eventually a series of international agreements, beginning at Montreal in 1987, regulating the production and sale of such substances. These agreements entailed trade sanctions against violators, thus affecting economic globalism. They also raised people's awareness of ecological dangers, contributing to much greater transnational transmission of ideas and information (social globalism) about ecological processes affecting human beings.

Another illustration of network interconnections is provided by the impact, worldwide, of the financial crisis that began in Thailand in July 1997. Unexpectedly, what appeared first as an isolated banking and currency crisis in a small "emerging market" country, had severe global effects. It generated financial panic elsewhere in Asia, particularly in Korea and Indonesia; prompted emergency meetings at the highest level of world finance and huge "bail-out" packages orchestrated by the International Monetary Fund; and led to a widespread loss of confidence in emerging markets and the efficacy of international financial institutions. Before that contagious loss of confidence was stemmed, Russia had defaulted on its debt (in August 1998), and a huge U.S.-based hedge fund, Long-Term Capital Management, had to be rescued suddenly through a plan put together by the U.S. Federal Reserve. Even after recovery had begun, Brazil required a huge IMF loan, coupled with devaluation, to avoid financial collapse in January 1999.

The relative magnitude of foreign investment in 1997 was not unprecedented. Capital markets were by some measures more integrated at the beginning than at the end of the twentieth century. The net outflow of capital from Britain in the four decades before 1914 averaged 5 percent of gross domestic product, compared with 2 to 3 percent for rich countries today.[25] The fact that the financial crisis of 1997 was global in scale also had precursors: "Black Monday" on Wall Street in 1929 and the collapse of Austria's Credit Anstalt bank in 1930 triggered a worldwide financial crisis and depression. (Once again, globalism is not new.) Financial linkages among major financial centers have always been subject to the spread of crisis, as withdrawals from banks in one locale precipitate withdrawals elsewhere, as failures of banks in one jurisdiction lead to failures even of distant creditors. Nevertheless, despite the greatly increased financial sophis-

tication of this era compared with the interwar period, the crisis was almost totally unanticipated by most economists, governments, and international financial institutions. The World Bank had recently published a report entitled "The Asian Miracle" (1993), and investment flows to Asia rose rapidly to a new peak in 1996 and remained high until the crisis hit. In December 1998 Federal Reserve Board Chairman Alan Greenspan said, "I have learned more about how this new international financial system works in the last twelve months than in the previous twenty years."[26] As David Held and others argue, sheer magnitude, complexity, and speed distinguish contemporary globalization from earlier periods.[27]

There are also interconnections with military globalism. In the context of superpower bipolarity, the end of the cold war represented military deglobalization. Distant disputes became less relevant to the balance of power. But the rise of social globalization had the opposite effect. Humanitarian concerns interacting with global communications led to dramatization of some conflicts and military interventions in places like Somalia, Bosnia, and Kosovo. At the same time, other remote conflicts such as Southern Sudan, which proved less accessible, were largely ignored. At the tactical level, the asymmetry of global military power and the interconnections among networks raise new options for warfare. For example, in devising a strategy to stand up to the United States, some Chinese officers are proposing terrorism, drug trafficking, environmental degradation, and computer virus propagation. They argue that the more complicated the combination—for example, terrorism plus a media war plus a financial war—the better the results. "From that perspective, 'Unrestricted War' marries the Chinese classic *The Art of War* by Sun Tzu, with modern military technology and economic globalization."[28]

The general point is that the increasing thickness of globalism—the density of networks of interdependence—is not just a difference in degree from the past. Thickness means that different relationships of interdependence intersect more deeply at more different points. Hence, effects of events in one geographical area, on one dimension, can have profound effects in other geographical areas, on other dimensions. As in scientific theories of "chaos," and in weather systems, small events in one place can have catalytic effects, so that their consequences later and elsewhere are vast.[29] Such systems are very difficult to understand, and their effects are therefore often unpredictable. Furthermore, when these are human systems, human beings are often hard at work trying to outwit others, to gain an economic, social, or military advantage precisely by acting in an unpredictable way. As a result,

we should expect that globalism will be accompanied by pervasive uncertainty. There will be a continual competition between increased complexity, and uncertainty, on the one hand; and efforts by governments, market participants, and others to comprehend and manage these increasingly complex interconnected systems, on the other.

Globalization and Levels of Governance

By governance, we mean the processes and institutions, both formal and informal, that guide and restrain the collective activities of a group. Government is the subset that acts with authority and creates formal obligations. Governance need not necessarily be conducted exclusively by governments and the international organizations to which they delegate authority. Private firms, associations of firms, nongovernmental organizations (NGOs), and associations of NGOs all engage in it, often in association with governmental bodies, to create governance; sometimes without governmental authority.

Contrary to some prophetic views, the nation-state is not about to be replaced as the primary instrument of domestic and global governance. There is an extensive literature on the effects of globalism on domestic governance, which in our view reaches more nuanced conclusions (summarized below). Instead, we believe that the nation-state is being supplemented by other actors—private and third sector—in a more complex geography. The nation-state is the most important actor on the stage of global politics, but it is not the only important actor. If one thinks of social and political space in terms of a nine-cell matrix, more governance activities will occur outside the box represented by national capitals of nation-states (figure 1-1).

Not only is the geography of governance more complex, but so are its modalities at all three levels. As Lawrence Lessig argues, governance can be accomplished by law, norms, markets, and architecture. Taking a local example, one can slow traffic through a neighborhood by enforcing speed limits, posting "children at play" signs, charging for access, or building speed bumps in the roads. Lessig describes an Internet world in which governance is shifting from law made by governments to architecture created by companies. "Effective regulation then shifts from lawmakers to code writers."[30] At the same time, private firms press governments for favorable

Figure 1-1. *Governance Activities*

	Private	Governmental	Third sector
Supranational	TNCs	IGOs	NGOs
National	Firms	Central	Nonprofits
Subnational	Local	Local	Local

legal regimes domestically and internationally, as do actors from the third sector. The result is not the obsolescence of the nation-state but its transformation and the creation of politics in new contested spaces.

Many writers in talking about the governance of globalism use what Hedley Bull referred to as the "domestic analogy."[31] It is commonplace for people to think of global governance as global government, because the domestic analogy is so familiar. Michael Sandel, for instance, argues that just as the nationalization of the American economy in the nineteenth century led to the nationalization of American government in the Progressive era, globalization of the world economy should lead to world government.[32] But the structure of federalism already existed in the United States, and it rested on a common language and political culture. (And even that did not prevent a bloody civil war in the middle of the century.)

Another example is the UN World Development Report, which portrays global governance in terms of strengthening UN institutions. It calls, for example, for a bicameral General Assembly, an investment trust that will redistribute the proceeds of taxes on global transactions, and a global central bank.[33] But it is state structures, and the loyalty of people to particular states, that enable states to create connections among themselves, handle issues of interdependence, and resist amalgamation, even if it might seem justified on purely functional grounds. Hence, world government during our lifetimes seems highly unlikely, at least in the absence of an overwhelming global threat that could only be dealt with in a unified way. In the absence of such a threat, it seems highly unlikely that peoples in

some two hundred states will be willing to act on the domestic analogy for well into the new century. World government might or might not be desirable—we think it could have many adverse consequences—but in any event, it is hardly likely to be feasible.

Although we think world government is infeasible, we are not complacent about the effects of globalization without some coherent means of governance. Karl Polanyi made a powerful argument that the inability of polities to cope with the disruptive effects of nineteenth century globalization helped cause the great disturbances of the twentieth century—communism and fascism.[34] Along similar lines, Jeffrey Williamson has more recently documented how the "late nineteenth-century globalization backlash made a powerful contribution to interwar deglobalization."[35] Without regulation—or what was traditionally known as "protection"—personal insecurity for many individuals can become intolerable. As Polanyi, with his dramatic flair, put it, "To allow the market mechanism to be sole director of the fate of human beings and their natural environment . . . would result in the demolition of society."[36]

If world government is unfeasible and laissez-faire a recipe for a backlash, we need to search for an intermediate solution: a set of practices for governance that improve coordination and create safety valves for political and social pressures, consistent with the maintenance of nation-states as the fundamental form of political organization. Such arrangements will, we argue, involve a heterogeneous array of agents—from the private sector and the third sector as well as from governments. And the governmental agents will not necessarily be operating on orders from the "top levels" of governments. The efficacy of these agents will depend on the networks in which they are embedded and their positions in those networks. And no hierarchy is likely to be acceptable or effective in governing networks.

One could refer very generally to the governance structures we envisage as "networked minimalism." Networked—because globalism is best characterized as networked, rather than as a set of hierarchies. Minimal—because governance at the global level will only be acceptable if it does not supersede national governance and if its intrusions into the autonomy of states and communities are clearly justified in terms of cooperative results.

To speak of "networked minimalism" is, of course, not to solve the problems of global governance but merely to point toward a generic response to them. In particular, such a phrase begs the question of accountability, which is crucial to democratic legitimacy.

Globalization and Domestic Governance

The literature on the effect of globalism on governance is extensive. The most persuasive work, it seems to us, converges on a number of general conclusions that suggest that nation-states will continue to be important; indeed, that the internal structures of states will be crucial in their ability to adapt to globalization and its effects on them.

First, it is important not to overstate the extent of the change in the near future. As Frankel and Rodrik point out, global economic integration has a long way to go. From a strictly economic point of view, this can be considered "inefficiency." But from a political-economy perspective, it might be called a "useful inefficiency" that provides a buffer for domestic political differences while allowing openness to the global economy. With time and market integration, this useful inefficiency will be eroded. National political systems have strong effects that are not easily erased by technology. For example, John Helliwell's studies show that even in North America, national boundaries have a powerful effect on economic activity. Toronto trades ten times as much with Vancouver as it does with Seattle. Electronic commerce is burgeoning, but is still a small fraction of the total even in the United States. Geoffrey Garrett points out that despite talk of vanishing policy autonomy, "Globalization has not prompted a pervasive policy race to the neoliberal bottom among the OECD countries, nor have governments that have persisted with interventionist policies invariably been hamstrung by damaging capital flight."[37]

Second, although globalization may have powerful impacts on distributional politics and inequality, these impacts are not as clear with respect to contemporary globalization as they are, in retrospect, for the nineteenth century. Universal propositions about rising inequality and "the poor getting poorer" are too simple. First, one must distinguish between domestic and international inequality. In general, from the Heckscher-Ohlin theorem, we should expect increasing inequality in rich countries (capital and high-skill labor, the abundant factors, should benefit at the expense of unskilled labor), but we should expect, at least to some degree, increasing equality—at least as far as labor employed in the market sector is concerned—in developing countries. As Grindle's chapter shows, reality may be more complicated than theory—and the nature of the political system and institutional weakness may be decisive in developing countries; but the point is, our baseline economic expectations should be different in rich and poor countries.

In economic terms, low-priced labor in poorer countries benefits from trade and migration; low-priced labor in richer ones suffers. This was certainly true in the late nineteenth century, given the magnitude of migration. Jeffrey Williamson concludes that "the forces of late nineteenth-century convergence included commodity price convergence and trade expansion, technological catch-up, and human-capital accumulation, but mass migration was clearly the central force."[38] In some relationships—such as that between Britain and the United States—the Heckscher-Ohlin effect was significant; but in others, it was not very important: "Heckscher and Ohlin may have gotten the sign right, but they were not very relevant when it came to magnitudes."[39]

Contemporary globalization is driven so much less by labor migration than in the nineteenth century that the contemporary implications of Williamson's argument are ambiguous. Globalization in the form of trade between rich and poor countries is likely to increase income inequality in rich countries, as Heckscher and Ohlin would have predicted.[40] However, in the nineteenth century, capital movements had the opposite effect, since they went largely to high-wage countries with unexploited natural resources.[41] The United States is a huge capital-importer now, despite being a high-wage country. So on an international basis, this form of globalization could be creating divergence rather than convergence. Migration, which generates convergence, is significant now but not nearly as important as it was in the nineteenth century.[42] And other potential causes of rising inequality exist in rich countries—technology and the changing composition of the labor force in particular. Frankel's chapter reports common estimates that trade may account for between 5 and 33 percent of the increase in wage gaps. We are not qualified to sort out these issues; but it is worth noting that such estimates in the analytical economic literature do not prevent "globalization," writ large, from bearing political blame for increasing income inequality. Even if skill-biased technological change is the primary cause of the increase in income inequality in rich countries during the past three decades, globalization is going to be politically contentious.[43]

Third, the impact of globalization on the state varies substantially by political-economic system.[44] One way of thinking about these issues is in terms of "production systems." In market systems, globalization leads to income inequality as market prices are bid up for skilled labor, and as the division of labor expands. In social democratic welfare states, transfer payments limit income inequality, but unemployment results.[45] In Japanese-

style systems, globalization puts pressure on the lifetime employment system and other provisions for providing welfare through the corporation rather than the state. The overall point is that globalization interacts with domestic politics; it is neither true that globalization produces the same effects everywhere (much less destroys the welfare state, or destroys state power)[46], nor that globalization is irrelevant. Multiple feasible paths may be taken to deal with the effects of globalization, depending on history, structures, attitudes—the notion of a single "golden straitjacket" is not viable.

Does globalism weaken state institutions? The answers vary by the type of state and the type of function. It is true that market constraints on states are greater than three decades ago, but the effects vary greatly. France, Germany, and Sweden feel market pressures, but the core of their welfare state remains strong. Some less developed countries, however, feel market pressures but do not have strong safety nets or governmental institutions to begin with. Transnational mobility of capital and skilled labor undercut powers of taxation. Transnational communications and the Internet make it more difficult and costly for authoritarian police to control citizens. In some instances, differential development may stimulate ethnic tensions that can overwhelm the institutions of the state. And as Grindle points out, some less developed countries may have such weak institutions (for whatever historical and cultural reasons) that their leaders are unable to cope with the new challenges posed by globalization. For other developing countries, however, economic globalism has strengthened state institutions by creating a more robust economic base—witness the development of Singapore, Malaysia, or Korea. And as Saich's chapter shows, China is a special case. Linda Weiss argues that there is more of a transformation of state functions than a weakening of the state.[47] Our major conclusion about how globalism affects domestic governance is one of caution. Certainly, strong effects occur, but generalizations about the effect of globalism on the nation-state vary with the size, power, and domestic political culture of the states involved.

From the perspective of governance, what is striking about the last half of the twentieth century is the relative *effectiveness* of efforts by states to respond to globalization. The welfare state was a major step. Whether Polanyi's narrative about the inability of polities to cope with the disruptive effects of nineteenth-century globalization is correct or not, such views were widely held. After World War II, a compromise was struck in rich countries that Ruggie has called "embedded liberalism."[48] The price of an open economy was a social safety net. Rodrik has shown that openness and

the welfare state are highly correlated. Coupled with the welfare state was the development of international regimes in areas such as finance and trade, designed to promote cooperation among states. The result in the last half of the twentieth century was a remarkable period in which economic growth was remarkably strong, despite periods of recession, and in which many economies became progressively more open to others' products and capital flows.

The big question is whether the coming era of economic globalization is different, because of changes in the degree of interdependence leading to fundamental transformations; or because of the information revolution.[49] In the view of Kenneth Waltz, the more things change, the more they remain the same. "Challenges at home and abroad test the mettle of states. Some states fail, and other states pass the tests nicely. In modern times, enough states always make it to keep the international system going as a system of states. The challenges vary; states endure."[50] In sharp contrast, some writers declare that as an externally sovereign actor, the state "will become a thing of the past."[51] And prophets of the Information Age argue that global cyberspace is replacing territorial space and making national governmental controls impossible.

When rapid, fundamental change is mixed with stability, it is hard to draw the balance easily. To say that states endure is to overlook the emergence of other significant actors and the constraints that they may impose on state autonomy. But to say that "everything is different" overlooks the fact that modern states are resilient and resourceful. While it is true that boundaries are becoming more porous, and some controls more problematic, the future of domestic governance is not so simple. The Internet was initially structured by hackers with a libertarian antigovernment culture, but commerce is rapidly changing the net. Commercial procedures for authentication of credentials are creating a framework that allows private regulation, and the presence of large commercial entities provides targets for an overlay of public regulation.[52]

As in the economic literature on globalism and the nation-state, the answer is unlikely to be that "everything is changed," or that nothing is. The question may be less one of erosion or maintenance of authority than of changes in how we think about space. While the messages of global electronic commerce cross borders freely, the processes by which they are produced often involve a reconfiguration of physical space. Sassen refers to a "relocation of politics" from national capitals to global cities constituting a

"new economic geography of centrality, one that cuts across national boundaries and across the old North-South divide."[53]

Our expectation is that governance will remain centered in the nation-state. State power will remain crucially important, as will the distribution of power among states. Whether the United States remains dominant, or is successfully challenged by others, will fundamentally affect globalism and its governance. However, the image of "the state" may become increasingly misleading as agencies of states are linked in networks to private and third sector actors. Transgovernmental networks will become more important, as will transnational relations of all kinds.[54] As Brown and others describe in their chapter, mixed coalitions will occur as parts of governments and NGOs may ally against other parts of governments allied with transnational corporations. Global networks will become more complex. As Coglianese, Hurley, and Mayer-Schoenberger argue, governance will require extensive networked cooperation, and hierarchical rules are likely to become less effective.

The Governance of Globalism: Regimes, Networks, Norms

Global governance is not the same as world government, and the domestic analogy is not adequate. The world system of the twenty-first century is not merely a system of unitary states interacting with one another through diplomacy, public international law, and international organizations. In that model, states as agents interact, constituting an international system.[55] But this model's focus on the reified unitary state fails sufficiently to emphasize two other essential elements of the contemporary world system: *networks* among agents, and *norms*—standards of expected behavior—that are widely accepted among agents. We can think of this international system as the *skeleton* of the contemporary world system—essential to the functioning of the whole system—but not as a whole system. It therefore is a helpful simplified model with which we can to begin is to ask about global governance, although it by no means provides us with the basis for a comprehensive account.

Governments' Responses to Problems of Governance

A worthwhile first cut at the problem is to see it as a response to problems and opportunities faced by states. States devise international institutions to

facilitate cooperation, which they seek to achieve their own purposes. Broadly speaking, this is a rational-functional account, in the sense that anticipation of effects explains.[56] Interests within states are affected by the actions of other states and actors, and therefore a "demand for international regimes" develops.[57] That is, governments become willing to exchange some of their own legal freedom of action to have some influence on the actions of these other actors. Whether this involves "giving up sovereignty" is a legal issue that depends on the arrangement made. Besides purely domestic interests, transnational actors (corporations, NGOs) develop an interest in making transborder transactions more predictable and press for arrangements that do so. This functional explanation plausibly accounts for the existence of the hundreds of intergovernmental organizations and regimes that govern issues ranging from fur seals to world trade. It may also help to explain efforts to govern the international use of force stretching from the Hague peace treaties at the end of the nineteenth century through the League of Nations to the UN Charter and Security Council.

Only some of these governance patterns are global, and none of them corresponds to the image of "world government" promoted by world federalists in the past and derided by governments and academic experts alike during the past several decades. There are examples of formal global governance through multilateral institutions, in which states create international regimes and cede some power to intergovernmental organizations to govern specified issues. Such delegation to broadly defined institutions takes place for trade policy (in the World Trade Organization) and financial and development policy (notably, the International Monetary Fund [IMF] and the World Bank). More limited delegation is evident in environmental policy, for example, to institutions governing chemicals depleting the ozone layer or to fisheries outside the territorial zones of states. The global role of international institutions dedicated to protection of human rights is increasing—a trend that will be accentuated if the International Criminal Court becomes a reality. At the global level, what we find is not world government but the existence of regimes of norms, rules, and institutions that govern a surprisingly large number of issues in world politics. The islands of governance are more densely concentrated among developed states, but they often have global extension.

Importantly, governments' responses to increases in globalism need not take the form of initiating or supporting multilateral regimes on a global level. Indeed, three other responses are particularly evident:

—Unilateral. Some unilateral responses are isolationist and protection-
ist with the effect of diminishing globalism. Others' unilateral actions may
increase global governance. Particularly interesting is the acceptance by
states of the standards developed by others. This process ranges on a scale
from voluntary to highly coercive. Unilateral acceptance of common stan-
dards can be highly voluntary—for example, when states and firms outside
the United States learned how to conform to Y2K standards created (at
greater cost) in the United States, or when they copy others' political
arrangements to solve domestic problems that they have themselves iden-
tified. Adoption of common standards can be partially voluntary, as when
states adopt generally accepted accounting principles, make their books
more transparent, or establish regulatory agencies that imitate those of
other countries.[58] In this case, the degree of voluntariness is limited by the
fact that foreign investment or other benefits might be withheld by pow-
erful external actors if such actions were not taken. Further toward the
coercive end of the continuum are such phenomena as IMF conditionality,
linked closely to acceptance of macroeconomic views that correspond to
those of the "Washington consensus." Finally, powerful states may simply
impose standards on the weak as Britain did with antislavery in the nine-
teenth century.[59]

—Where broad consensus is difficult or too costly, states may seek to
construct bilateral or "minilateral" regimes with a few like-minded part-
ners.[60] Hundreds of bilateral tax treaties exist. The Basle agreements on
banking adequacy provide another example. One consequence of such a
strategy may be to change the status quo point, therefore making nonpar-
ticipants worse off, and perhaps forcing them to join arrangements that are
worse than the original status quo.[61]

—Regional. States may see themselves as better able to cope with global
forces if they form regional groupings. Within a region, mutual recognition
of one another's laws and policies may promote cooperation without exten-
sive harmonization of laws. The recent strengthening of the European
Union (EU) provides the principal example of such regionalism.

Our focus is on multilateral cooperation at the global level, although
much that we say is relevant to "minilateral" or regional regimes. We
believe that the patterns of multilateral cooperation that predominated in
the second half of the twentieth century are changing and will have to
change further if multilateral cooperation is to be successful in a rapidly
globalizing world. To make this argument, however, we need first to
describe two important sets of changes that are occurring—in the agents

active on issues of international and transnational public policy and in the norms that are thought relevant to multilateral cooperation.

New Agents in Networks

The actors in world politics cannot simply be conceived of as states. Private firms, NGOs, and subunits of governments can all play independent or quasi-independent roles. These agents help to create or exacerbate the dilemmas of diffusion of power, transparency, and deadlock, afflicting international organizations. But they may also play a crucial role in governance. When they do, they operate as parts of networks.

Because the rapidly declining cost of communication is reducing the barriers to entry, other actors are becoming more involved in many governance arrangements that are not controlled by executives or legislatures of states. In other words, global governance involves both private sector and "third sector," or NGOs, actors as well as governments:

TRANSNATIONAL CORPORATE NETWORKS. Transnational corporations respond to the absence of governance by providing their own governance forms. Airlines and computer firms form alliances with one another to gain competitive advantages. Other examples include commodity chains, producer driven or buyer driven.[62] Many crucial standard-setting exercises are private. In the chemical industry, "responsible care" standards, for example, are designed to head off national-level or international-level governance.[63] In cyberspace, commercially crafted codes have a powerful impact on issues such as privacy, property rights, and copyright law. Private rules about how an offer is accepted "may or may not be consistent with the contract rules of a particular jurisdiction. . . . Local governments lose control over the rules and the effective rule-maker shifts to cyber space."[64]

NGOS. In the last decade of the twentieth century, the number of international NGOs grew from 6,000 to 26,000, ranging in size from the Worldwide Fund for Nature with 5 million members to tiny network organizations. As described in the chapter by L. David Brown and others, they provide services, mobilize political action, and provide information and analysis. As a group, they provide more aid than the whole UN system. Besides providing services, others play lobbying and mobilization roles. About 1,500 NGOs signed an anti-WTO protest declaration that was circulated online in 1999, including groups from both rich and poor countries. Technically oriented groups offer sophisticated analysis and informa-

tion that affected the verification system of the Chemical Weapons Treaty and the negotiations over global climate change.[65] In the eyes of some analysts, the real losers in this power shift are less obviously governments than intergovernmental institutions that lack political leverage over policymakers and whose public image tends to be faceless and technocratic.

The relations of the three sectors in governance should not be analyzed solely in isolation, much less in zero sum terms. State responses to the forces of globalism are supplemented by private and nongovernmental actors, some of which compete and some of which complement state actions. Transnational corporations may replace legislative functions of states. For example, when Nike or Mattel creates codes of conduct governing their subcontractors in less developed countries, they may be imposing codes that would not have passed the legislatures of Honduras or India (and which those governments would have opposed at the WTO).

Similarly, companies may bypass the judicial branch of host governments because they regard them as slow or corrupt. More and more often commercial contracts are written with provisions for commercial arbitration to keep them out of national courts. The International Chamber of Commerce plays a large role. Some governments, however, are pleased when private rating agencies like Moody's or Standard and Poor's create ratings that lead foreign corporations to follow standards and procedures not necessarily in domestic law.

Some governments and parts of governments may also be pleased when NGOs influence agenda setting and press other governments for action. An important example is provided by the succession of UN-sponsored international conferences on women and issues, such as birth control, of particular interest to women. NGOs have taken the lead in promoting this agenda, but governments and the United Nations have also been active.[66] Or consider the effects of Transparency International in exposing corruption. In other instances, NGOs form coalitions with some governments against others: witness the landmine treaty in which Canada drew support against the United States. Some NGOs participate regularly in sessions of some intergovernmental organization such as the Organization for Economic Cooperation and Development or the World Bank. In some instances, such as human rights and refugees, they supply crucial information to governments as well as help provide services. Foundations play a similar role.

Trisectoral partnerships are also becoming more explicit.[67] Transnational corporations and NGOs sometimes work together and sometimes with

IGOs to provide services. Citibank uses local NGOs to provide micro-finance in Bangladesh. In 1998 Kofi Annan proposed a global compact in which corporations joined with the United Nations to support development and improved labor standards. The International Chamber of Commerce has offered its support. Other innovations include the World Commission on Dams, which consists of four commissioners from governments, four from private industry, and four from NGOs. And in the governance of Internet domain names, the U.S. government helped create ICANN, an NGO that supplements but also works with private companies. The government turned to the NGO form because it feared that a formal IGO would be too slow and cumbersome in dealing with rapidly developing issues related to Internet domain names.

In short, areas of intergovernmental coordination exist in a competitive and cooperative relationship with private and third sector actors that provide some governance for several issues in global politics. Notably, in many of these arrangements the quasi-judicial capabilities and "soft legislative" capabilities, as exemplified in the development of soft law and norms, have moved ahead much faster than "hard legislative" or executive capabilities. The formal, obligatory rules of IGOs are established by states, but the IGOs themselves are becoming more important interpreters of their own rules, and often the operational rules go well beyond those that are formally obligatory. Meanwhile, the formal governance structures of IGOs remain quite weak and are often beset by deadlock.

Norms

Changes in agency are an important part of contemporary changes in governance of global issues. NGOs and private sector actors, operating in various competing networks, have become increasingly important. But there is something more. As constructivist theorists point out, changing ideas frame and channel interests. Convergence on knowledge, norms, and beliefs is a prelude to convergence on institutions and processes of governance.[68] Transnational communications, coupled with political democracy, promote the development of global norms as a backdrop against which the islands of governance stand out.

Changes in norms can be seen as part of the development of an incipient civil society. It is not entirely new. Nineteenth-century antislavery movements involved transnational ideas as well as domestic politics.[69] The spread of science is another early example. Examples in the twentieth cen-

tury include the development of human rights ideology in the second half of the century. As Sassen points out, "Self determination is no longer enough to legitimate a state; respect for international human rights codes is also a factor."[70] Since the end of the cold war, the broad acceptance of liberal market forces is another example. In sharp contrast to the 1970s demands for a statist "new international economic order," when a newly created Group of 20 rich and poor countries met in 1999, the discussion was over details, not the desirability, of a neoliberal financial system.[71] Pressures on traditional territorial sovereignty in the security area derive largely from human rights and humanitarian norms (at odds with traditional sovereignty norms), and they remain hotly contested. After Secretary General Annan's September 1999 speech to the General Assembly, the head of the Organization for African Unity expressed alarm that a right to humanitarian intervention threatened "our final defence against the rules of an unequal world," and in the United States a former official predicted "war, at least with the Republican Party."[72]

Soft power rests on the attractiveness of some actors, and their principles, to others. Soft power is therefore relative to norms: it is those actors who conform to widely admired norms that will gain influence as a result. It is hard to pinpoint specific changes in domestic law and practice that are directly affected by changes in norms. However, clearly, in areas such as human rights and the role of sovereignty, global norms are changing at a dramatic pace. Sovereignty is up for grabs in a way that has not been the case since the seventeenth century. The fact that it was criticized by Secretary General Annan—the leader of an intergovernmental organization whose Charter rests solidly on the Westphalian conception of sovereignty—reveals striking evidence of normative change.

Norms do not operate automatically but through the activities of agents in networks. Even binding international law does not meet with automatic and universal compliance. Even less automatic are the effects of soft law. As Tony Saich shows in his chapter China may have signed the International Convention on the Protection of Civil and Political Rights, hoping to avoid serious internal consequences, just as the Soviet Union signed onto "Basket Three" of the Helsinki Convention in 1975. Whether these norms will actually change policies, or undermine the legitimacy of regimes, depends on how agents operate: for instance, on the "boomerang effects" discussed by Keck and Sikkink.[73]

To understand global governance for the twenty-first century, we will have to go well beyond understanding multilateral cooperation among

states. We will have to understand how agents, in networks—including agents that are organizationally parts of governments as well as those who are not—interact in the context of rapidly changing norms. Governance is likely to be fragmented and heterogeneous. Whatever else it is, it is unlikely to be based on the domestic analogy.

The Club Model of Multilateral Cooperation: At Risk

Multilateral cooperation has been remarkably extensive, indeed unprecedented, in the latter half of the twentieth century. Beginning with the Bretton Woods conference of 1944, key regimes for governance have operated like "clubs." Cabinet ministers or the equivalent who were working on the same issues, initially from a relatively small number of relatively rich countries, got together to make rules. Trade ministers dominated GATT; finance ministers ran the IMF; defense and foreign ministers met at NATO; central bankers at the Bank for International Settlements. They negotiated in secret, then reported their agreements to national legislatures and publics. It was difficult for outsiders to understand the actual positions taken in negotiations, how firmly they were held, and the bargaining dynamics that produced compromises. Within the framework of these procedures, as Michael Zurn comments, "The opportunity of strategic manipulation of information is wide open to decision-makers."[74]

From the perspective of multilateral cooperation, this club model can be judged a great success. The world seems more peaceful, more prosperous, and perhaps even environmentally somewhat cleaner than it would have been without such cooperation. However, the very success of multilateral cooperation has generated increased interdependence—now in the form of "globalization"—that threatens to undermine it. Technology and market growth are reducing technological and economic barriers between countries and between issues, thus eroding the politically useful inefficiency described above. The organizations formerly run by clubs of rich country ministers have expanded their memberships to include many developing countries, which demand participation. Their leaders are often ambivalent about the regimes, suspicious about the implications of rich country leadership, and resentful of the existence of club rules, made by the rich, that they did not help to establish. Furthermore, globalization has generated a proliferation of non-state agents, including business firms, business associations, labor unions, and NGOs, all clamoring to make their voices heard. The Seattle meetings of the WTO, in November 1999, indicated the dif-

ficulties that a combination of heterogeneous state objectives and activism by NGOs can create for international trade negotiations. Diffusing power increases legitimacy but makes it harder to make any clear decisions. As Harlan Cleveland once put it, how do you get everyone into the act and still get action?

At the same time, international institutions have faced increasing demands for accountability, which implies transparency. Here the source of the pressure is not increases in membership and a corresponding diffusion of capabilities but rather the incursion of domestic norms of democratic accountability into the international arena. A large and growing literature argues that international institutions do not meet the procedural standards of democracy, particularly for transparency, as a necessary condition for accountability.[75] Some of this literature begs the question of to whom accountability is owed, and the degree to which accountability and transparency are indirect in some domestic democratic arrangements—witness the Supreme Court and the Federal Reserve in the United States. Nonetheless, even though international organizations are ultimately accountable to (mostly) democratically elected member governments, the international bureaucrats are more remote than national bureaucracies. The chain of connection to elections is more indirect. Moreover, delegates to such institutions, though instructed by and accountable to elected officials in democracies, often act in the privacy of the clubs built around their issues and related institutions. Quite naturally, as such clubs control more important resources and values, demands for transparency and more direct participation increase. Europeans, many of whom see their institutions evolving toward a domestic model, have taken the lead in the debate on transparency, accountability, and the "democratic deficit," and their chief target has been the European Union.

The situation with global regimes is more problematic because they are more remote from the domestic analogy than is the European Union. The WTO, for example, has been a recent target of criticisms that it is undemocratic. Yet on a first approximation, it conforms with democratic principles relatively well. The secretariat is small and weak. The WTO is highly responsive to the (mostly) elected governments of its member states. Furthermore, it defers to them. Indeed, its dispute settlement procedures provide space for national democratic processes while still protecting the system of world trade. If pressures within a democracy cause a country to derogate from its agreements, a WTO panel can authorize compensation for others rather than see a tit-for-tat downward spiral of retaliation. It is

like a fuse in the electrical system of a house. Better the lights go out than the house burns down. Better to make some concessions to the domestic politics of trade than to see a downward spiral of tit-for-tat retaliation that makes everyone worse off as in the 1930s.

Yet the WTO notably lacks transparency and has therefore been charged with violating democratic accountability. Again, the question is accountability to whom? Trade officials and their elected superiors may know what is happening and be held accountable for what happens in the WTO, but officials and groups based in issues such as labor and the environment are demanding more transparency and participation. Charges of unaccountability and lack of democracy are instruments used to pry open access to—or in some cases to destroy—the club from which they have been excluded in the past.

IGOs can move incrementally and can interpret their mandates—insofar as their secretariats and leading states can build alliances with crucial private sector and third sector actors. But they cannot make large formal moves forward in the absence of support either from a broad consensus about their proper purposes or from political institutions that can give them definitive guidance, based on a wide expression of social views. As a result of the constraints and opportunities that they face, international organizations, like the WTO, tend to be dominated by small networks of professionals who can modify their informal rules and practices and sometimes develop a body of case law. The club model helps to overcome deadlock that accompanies the diffusion of power. What is missing? The legitimating activity of broadly based politicians speaking directly to domestic publics. This may have mattered less in the past when issues were less linked, and accountability of trade ministers to parliaments was sufficient to provide legitimacy. But with the linkage of issues, there is a need for the involvement of politicians who can link specific organizations and policies with a broader range of public issues through electoral accountability. In that sense, some global institutions are accused of developing a "democratic deficit" that could become a source of political weakness.

It is not easy to fix this type of "democratic deficit," in part because it is difficult to identify the political community that is relevant for direct participation, and in part because the functional club model has been the basis for effective international cooperation over the last half century. Indeed, a *lack of transparency to functional outsiders,* under the old club model, was a key to political efficacy. Protected by lack of transparency, ministers could make package deals that were difficult to disaggregate or even sometimes to

understand. For instance, after the U.S. Congress deconstructed the trade agreements made during the Kennedy Round (1967), implementing unilateral modifications to bargains that had been reached, America's trade partners demanded modifications in internal U.S. practices as a condition for the next trade round. The political response in the United States was a "fast-track" procedure, agreed to by Congress, that limited its power to pick apart agreements. In effect, Congress agreed to "tie itself to the mast," as it sailed past specific protectionist sirens. It agreed to immunize international bargains from disaggregation in return for European, Japanese, and Canadian willingness to negotiate further reductions in trade barriers. Cooperation on international trade benefited, but labor and environmentalist interests whose power was reduced by the practice have reacted strongly against it and the associated international institution.

A fundamental problem of multilateral cooperation and democratic governance is how to increase transparency and accountability without subjecting all deals to deconstruction and unwinding. The mixed quality of contemporary social globalization makes such governance particularly difficult now. In one sense, social globalization has increased dramatically during the past decade. As discussed below, the creation of the Internet has coincided with an apparent fourfold increase in the number of NGOs. That is, *transnational social activity* is increasing dramatically. However, as Pippa Norris shows in her chapter, another dimension of potential social globalization—*collective identity*, or solidarity—remains at negligible levels, although it can be argued that a weak sense of identity is developing in the OECD and in the European Union. Lower transaction costs, coupled with a lack of a sense of political community or authoritative political institutions, will make it easier to pick packages apart than to put them together.

These problems for interstate cooperation are accentuated when states seek to deal with relationships across issue-areas, defined as clusters of issues, such as those relating to trade. As described above, globalization is increasing the density and interaction among networks. The islands of governance can no longer be kept isolated. As trade becomes more important, for instance, it has more implications for labor standards or the natural environment. It is also a subject of higher levels of social globalism: more awareness and more potential mobilization, as in the Seattle WTO meetings. Among issue-areas, globalization is producing increased real connections. But at the level of governance, there is little linkage among issue-areas. Overarching bodies such as the United Nations are weak. The International Labor Organization sets labor standards but lacks effective

sanctions. For that reason, rich country trade unions want labor standards dealt with in the WTO, and many poor countries such as India resist it. Nothing plays the integrative role that occurs within well-ordered nation-states.

It might appear as if intergovernmental deadlock would lead to a stale-mate in the current system of disaggregated global governance; and in the wake of the failure of the Seattle WTO meetings, various alarms to this effect have been sounded. Indeed, it does seem that the post-1945 model of cooperation through intergovernmental regimes is under serious pres-sure. Traditionally, international regimes have been constructed, within the complex system of the world political economies, as "decomposable hier-archies."[76] The parallel is with the nation-state as a hierarchy, so that indi-viduals within it only interact politically through their governments. In this model—characteristic of the second half of the twentieth century, at least in formal terms—international regimes, with particular states as members, were established to govern "issue-areas." Some of these regimes were open to universal membership; others were selective or required meet-ing a set of standards imposed by the original participants. These regimes, thus defined by membership and issues, were "decomposable" from the rest of the system. Their members constructed rules—either in the form of traditional international law or as sets of established but less obligatory practices known as "soft law"—to govern their relationships within the issue-area. This model of separate clubs worked well, but globalization now generates so many linkages among issues that it raises challenges to the decomposition of issue-areas. One way to see the problem posed by glob-alization is that the hierarchies—both the national governments and estab-lished international regimes—are becoming less "decomposable," more penetrable, less hierarchic. It is more difficult to divide a globalized world political economy into decomposable hierarchies on the basis of states and issue-areas as the units.

The foregoing review has identified four key problems that threaten the club model of multilateral cooperation that has worked relatively well for the past half century. The number and heterogeneity of states in the system have increased severalfold. New entities—particularly business firms and associations, labor unions, and NGOs—have become more active partici-pants in the multilateral policy process. Democratic societies demand accountability and transparency, and these demands are often based on a domestic analogy that conflicts with club practices. But most important, increasingly close linkages among issue-areas pose difficulties for interna-

tional regimes organized by issue-area. It becomes harder to maintain the grounds for exclusion of some outsiders from the club. New strategies will be needed to supplement the old club model if multilateral cooperation is to thrive in the twenty-first century.

These strategies will have to be consistent with the new global politics, in which IGOs will have to share power with the private sector and with NGOs. Agents will be connected to one another in networks and will work through a variety of competing and cooperating coalitions, but none of the components will be subordinate to another. We should not see these agents, networks and organizations as in opposition to unitary states: on the contrary, they will participate in transnational-transgovernmental networks with governmental officials, often pitted against other transnational-transgovernmental networks with different purposes.[77] Mixed or trisectoral coalitions are becoming more common in world politics. But global politics is unlikely to be dominated by multilateral intergovernmental cooperation alone. Seen from a transgovernmental perspective, the WTO is a club of trade ministers working with rules that have served well in that issue-area. But it becomes more problematic when one considers issue linkages, the "trade and . . ." issues. Environment and labor ministers, for example, do not have a seat at the table. In other words, some relevant publics have no direct voice—only an indirect voice through national legislatures and executives. Thus the demonstrations at Seattle, incoherent and self-interested though they were, had a point. The participants wanted more direct access to the arena where their interests were being affected. In principle, this could be solved by linkages among UN organizations—UNEP and ILO—but they do not have similar strength. And even if they did, issues of accountability would be raised, since effective decisionmaking would still be distant from democratic legislatures.

Some cooperation with NGOs might help to alleviate the concern about accountability, although careful choices of NGO and roles would be important to preserve the effectiveness of the IGO. For example, some NGOs might be invited not to participate directly in trade negotiations, but they could be given observer status at WTO Council meetings where rules are discussed or given the right to file amicus briefs in dispute settlement cases.[78] The World Bank has been relatively successful in co-opting NGOs. More than seventy NGO specialists (mostly from technically proficient organizations) work in Bank field offices. "From environmental policy to debt relief, NGOs are at the center of World Bank policy. . . . The new World Bank is more transparent, but is also beholden to a new set of

special interests."[79] Environmental NGOs have played effective roles at UN conferences. Whether this would work for other organizations is an open question. The democratic legitimacy of NGOs is not established simply by their claims to be part of "civil society." Obviously, the legitimacy of favored NGOs could be called into question by co-optation; and excluded NGOs are likely to criticize those that are included for "selling out." Political battles among NGOs will limit a co-optation strategy. Nonetheless, without some form of NGO representation, it seems unlikely that the islands of multilateral governance will be able to maintain their legitimacy.

The political patterns that will emerge are difficult, indeed impossible, to foresee. But it is important to be cautious about projecting trendlines. For instance, the recent dramatic increases in the activities of NGOs does not necessarily mean that they will become increasingly powerful. Actions generate reactions. One result of deadlock, if it occurs, could be the movement of decisionmaking to new forums, less subject to democratic participation. That is, an ironic result of NGO activity could be institutional changes that reduce the efficacy of public protests and media campaigns. For example, we could see a continued increase in the legalization of international institutions. In the absence of legislative action, judiciaries and other tribunals may extend their interpretations of rules into rulemaking. The European Court of Justice is a prime example.[80] Its ability to avoid reversals of its rulings by governments is enhanced by legislative deadlock: no unanimous coalition can be organized to repeal ECJ rulings. On a less extensive basis, the judicial organs of the WTO have been making rules (for example, on trade-environment issues) that could not have been adopted by the WTO's Council. Of course, legalization could be stymied or reversed by powerful political movements. The point is not that legalization is inevitable or even likely, but that the dynamics of political change are often nonlinear and often surprising in terms of democratic theory.

Democracy and Global Governance

Democracy is government by the people. In simplified form, this has meant the majority of the people (though with protections for individuals and minorities in liberal democracies). Historically, democracy has meant government by the majority of the people who regard themselves as a political community. The key question for global governance is, who are "we the people" when there is no sense of political identity and community,

and the political world is organized largely around a system of unequal states?

In thinking about legitimacy, it may be helpful to separate the inputs and outputs of democratic government. On the input side, elections determine ruling majorities. But what are the boundaries of the relevant electoral constituencies in which votes are held? If the moral claim for democracy rests on the worth and equality of individuals, then a basic rule is one person, one vote. One state, one vote is not democratic because a Maldive Islander would have 1,000 times the voting power of a citizen of China. A cosmopolitan view, however, that treats the globe as one constituency implies the existence of a political community in which citizens of 198 states would be willing to be continually outvoted by a billion Chinese and a billion Indians. As Norris shows in her chapter, there is no evidence that national identities are changing in a manner that would make that feasible for a long time to come. In the absence of such a community, the extension of domestic voting practices to the world scale would make little normative sense even if it were feasible. Most meaningful voting, and associated democratic political activities, occurs within the boundaries of nation-states that have democratic constitutions and processes. Minorities are willing to acquiesce to a majority in which they may not participate directly because they feel they participate in some larger community. This is clearly absent at the global level and creates severe normative as well as practical problems for the input side of global democracy.

At the same time, voting is not the only feature of the input side of democracratic government. Many democratic theorists would argue that people should have a voice on issues that have important effects on their lives, and that voice is raised frequently in the long intervals between elections. The mechanisms stretch from polls to protests. The boundaries for this type of input are less clearly defined than in electoral constituencies. A public space is an identifiable set of issues, and the public is the group of people who communicate and agitate over their shared externalities in that space—sometimes at local and sometimes at transnational levels. In this sense of shared externalities, there may be some global publics even if there is no global community. In a well-functioning domestic democracy, the various aspects of political inputs—popular activity, media attention, pluralist interest-group lobbying, parties, elections and formal legislation—are articulated together. There is a clear pathway by which laws can be created; and when laws are enacted, regular procedures and organizations exist to

implement, amend, and change those laws. This is the procedural basis for democratic legitimacy.

Internationally, however, the link between popular activity and policy is severely attenuated. Public meetings, such as recent UN-sponsored conferences on the role of women in society, have not led to formal rules that have obligatory status ("hard law"). The resolutions of such conferences are typically susceptible to contrasting interpretations or can simply be ignored by recalcitrant governments. These meetings affect public views on a global basis and help mobilize domestic and transnational movements, but they do not provide clear "hooks" to change policy. For instance, Agenda 21, adopted at the Rio Conference on Sustainable Development, is very soft law: it does not have treaty status, and it obliges no one. And despite the UN Convention on Eliminating Discrimination against Women, most of the norms revolving around women's rights have not been codified into treaties that have universal or near-universal validity.

In a well-functioning domestic democracy, popular politics and the organization of interest groups lead directly to legislation and to the implementation of such legislation. These connections are lacking at the international level. As we have seen, those intergovernmental organizations that do make binding rules often lack the democratic legitimacy that comes from having transparent procedures, institutional arrangements that facilitate accountability, and activities by politicians seeking re-election by appealing to publics. At the same time, the private and NGO sectors that agitate about political issues internationally do not have any greater claim to democratic legitimacy. Despite their claims to represent civil society, they tend to be self-selected and often unrepresentative elites. The disjunction between international arrangements facilitating such public involvement, and multilateral cooperation on binding decisions, leads to disputes over legitimacy and dangers of stalemate in intergovernmental institutions. As we have seen, this disjunction cannot be solved simply by adopting the domestic voting model at a global level.

The legitimacy of governments is not determined solely by the procedures used on the input side. Substantive outputs also matter. Citizens are concerned about security, welfare, and identity. When these substantive outputs are missing, procedural democracy on the input side is often not sufficient. Legitimacy of democratic government rests on procedures and on effectiveness in producing valued outputs. If the challenges to their democratic legitimacy on the input side lead to increased stalemate, global institutions may also lose whatever legitimacy has accrued to them through

their role in facilitating effective substantive intergovernmental coopera-
tion. At the same time, it also implies that if some changes can be made on
the input side, even though they fall well short of the procedures implied
by the domestic analogy, there may be some residual legitimacy in the
effectiveness on the output side.

This suggests the need for a more appropriate measure for judging
democratic legitimacy than the so-called democratic deficit based on the
domestic analogy. The development of appropriate normative theory for
judging global institutions will be an important part of the development of
global governance. It is unlikely that the literature based on the European
Union with its close links to the domestic analogy is appropriate for global
institutions for reasons given above. Nor will new theories based on the
potential for direct voting in cyberdemocracy be sufficient. One can imag-
ine technology enabling the world to engage in frequent plebiscites that
collect the votes of vast numbers of people interested in an issue. But it is
more difficult to envisage the effective processes of deliberation in the
absence of a community that would make such voting meaningful in a
normative sense. With time, such obstacles may be overcome and practices
gradually develop, but that is not imminent.

In the interim it will be important to develop more modest normative
principles and practices to enhance transparency and accountability not
only of IGOs but of corporations and NGOs that constitute global gov-
ernance today. For example, increased transparency is important to
accountability, but transparency need not be instantaneous or com-
plete—witness the delayed release of Federal Reserve Board hearings or
the details of Supreme Court deliberations. Similarly, accountability has
many dimensions, only one of which is reporting up the chain of dele-
gation to elected leaders. Markets aggregate the preferences (albeit
unequally) of large numbers of people, and both governments and
transnational corporations are accountable to them. Professional associ-
ations create and maintain transnational norms to which IGOs, NGOs,
and government officials can be judged accountable. The practice of
"naming and shaming" of transnational corporations with valuable brand
names by NGOs and the press also provides a sort of accountability.
Similarly, the naming and shaming of governments engaged in corrupt
practices helps create a type of accountability. While trisectoral coopera-
tion and mixed coalitions are to be welcomed, competition among sec-
tors and among mixed coalitions is useful for transparency and account-
ability. Even in a democracy like the United States, the best solution to

the problem of the iron triangles of bureaucrats, interest groups, and sub-committee legislators is competition and publication in the press.

Transgovernmental and trisectoral networks are sometimes praised for being able to act much more quickly and effectively than IGOs, but they are inherently less subject to democratic or quasi-democratic accountability.[81] Informal coordination can be quicker than following formal procedures, but it leaves fewer traces. The agents themselves may be quite insulated from public pressure, insofar as they include private firms, associations of firms, and independent or quasi-independent regulatory agencies. Transgovernmental politics could become special interest group politics on a world scale. Furthermore, it is unlikely that states will turn over major decisionmaking activities, creating hard law, to transgovernmental and trisectoral networks. Such networks are likely to be an increasingly important part of the global policy process, and their effectiveness will be welcome, but it will be important to develop appropriate ways to judge their transparency and accountability without resorting to the claims of direct democracy or a simple domestic analogy.

Conclusions: Globalism and Governance

Globalization is strongly affecting domestic governance, but it is far from making the nation-state obsolete as some prophets claim. The existence of "useful inefficiencies" and the persistence of national political traditions and cultures means that the state will remain the basic institution of governance well into the century. But domestic polities will be under pressure from the erosion of economic inefficiency, tensions around the redistribution and inequality that accompany economic globalization, and the increasing roles of transnational and third sector actors. The compromise of embedded liberalism that created a social safety net in return for openness was successful in the second half of the twentieth century but is under new pressure. That compromise was the basis for Bretton Woods institutions that (along with other regimes) governed " issue islands" in world politics. As Rodrik shows, this compromise worked to combine economic globalization with some domestic autonomy for democratic politics. Now, for reasons we have suggested, that system is under challenge. This does not mean that it must be discarded, but that new strategies will be necessary to resolve the dilemma of efficacy versus legitimacy that we have described.

Rulemaking and rule interpretation in global governance have become pluralized. Rules are no longer a matter simply for states or intergovernmental organizations. Private firms, NGOs, subunits of governments, and the transnational and transgovernmental networks that result, all play a role, typically with central state authorities and intergovernmental organizations. As a result, any emerging pattern of governance will have to be networked rather than hierarchical and must have minimal rather than highly ambitious objectives. "Networked minimalism" seeks to preserve national democratic processes and embedded liberal compromises while allowing the benefits of economic integration.

Networked minimalism is only a broad principle of governance—more a matter of what not to try (hierarchy and intrusiveness in domestic politics) than what to do. If multilateral cooperation is to continue, any networked arrangements will have to solve the classic governance problem of reaching legitimate decisions. The club model, based on decomposable sets of issues, reached decisions, but they are increasingly challenged. Somehow, the more diverse actors—more states, private sector actors, NGOs—that are now involved in global public policy will have to be brought into the system.[82] Cross-sectoral partnerships of government (and IGO), private, and third sector organization may provide part of a solution, but they still pose problems. More nuanced approaches to transparency and accountability of both international institutions and networks will be an important part of understanding global governance.

As Applbaum shows in his chapter, it is important not to think of legitimacy solely in terms of majoritarian voting procedures. Many parts of the American constitution (such as the Supreme Court) and political practice would fail that test. Democratic legitimacy has a number of sources, both normative and substantive. Legitimacy in international regimes will derive in part from delegation from elected national governments but also from effectiveness and transnational civil society. New modes of ensuring public participation, not relying entirely on elections, will have to be found. But insofar as major societies are democratic, legitimacy will depend on the popular views that international governance practices are consistent with democratic norms. Some form of transparency and accountability will be crucial. And since the legitimacy of global decisions will probably remain shaky for many decades, it will be crucial also to relax the pressure on multilateral institutions by preserving substantial space for separate domestic political processes—what in the language of the European Union is

referred to as "subsidiarity." The practices of the WTO in allowing domestic politics to sometimes depart from international agreements without unraveling the whole system of norms are a useful example.

It is possible that the political base of intergovernmental organizations and international regimes will be too weak to sustain high levels of governance: that the need for international regimes will exceed the supply. Deadlock and frustration could result. But the results of such deadlock are not clear. They could lead to a move away from such institutions for governance, back to the state, limiting globalism, as occurred after 1914. But that is not likely. They could lead in other directions—toward the development of quasi-judicial processes internationally, "soft legislation," and effective governance of specific issue—areas by transnational and transgovernmental networks. What is not likely is a mere repetition of the past or a return to a world of isolated nation-states. Globalism is here to stay. How it will be governed is the question.

Notes

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