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The structural transition of the production system: Regional policy in common understanding

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The structural transition of the production system. *Regional policy in common understanding.*

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Abstract.

Several analysts perceive a 'great transformation' of the structure of the production process and postulate changes in the political regulation-system governing that process. Others claim that there's nothing worth mentioning about this rage, and posit the continuation of long known cyclical and secular trends. So, there seems to be a general lack of common understanding and accurate definition in the academic and political debate. Neither the concept of 'globalisation' nor that of 'regionalisation' seems to be an acceptable 'description' nor an 'explanation' of the structural transformations of the economy. Day by day, a larger number of scientists is convinced of the fact that globalisation is, as an empirical phenomenon, an overstatement. In this rather theoretical paper, I'll expound the proposition that it could be useful to consider globalisation as a myth with strategic consequences.

After all, globalisation is also a 'potential process' which can not easily be grasped by the standard procedures of scientific research, based on the principles of positivism and going back to the Age of Reason. According to the popular discours and belief, held in the face of 'overwhelming contrary (empirical) evidence', European regions are involved in an intense worldwide competition. A competition with remote countries and with one another. Each region is trying to attract new investments (away from others) and to preserve existing ones (against others), so the story goes. But, this perception which is based on the exaggeration of spectacular examples of globalisation, this general expectation of what tomorrow will bring, has indeed severe consequences for present behaviour. This paper will try to substantiate and clarify this mechanism using theoretical and rather abstract concepts and will try to formulate a possible way of approaching contemporarily restructuring processes.

Furthermore and because of it, this era of 'hypercompetition' is also characterized by a transformation from the Keynesian welfare state towards the post-Fordist Schumpeterian workfare state, a version of the 'competition state'-model. This transition has farreaching consequences for the neo-corporatist organisation of the European economies and the underlying Fordist social consensus. Because of the delegation of important parts of the socio-economical policy-domains towards the regional government, it is believed that these too are forced to play the game of global competition. The discourse of globalisation, the ideology of competition, the modern version of 'beggar-they-neighbour', the competitive provision of investment-incentives, the 'pensée unique' and actions inspired by it, these and other convictions are setting regions against each other because they are, according to that general perception, in competition with each other.

It is a perception which could - unnecessarily - complicate a 'regional understanding', essential for the construction of a 'Europe of regions'. The protection of the regional interests at the EU level requires solidarity and common understanding. In order to construct a suitable and adequate institutional apparatus at Union level, regional actors must first clear their minds and dismiss the story of popular belief. This paper about the mental construction of globalisation tries to enumerate some arguments on that matter.

1. Introduction.

At the turn of the 'long twentieth century', there seems to be two fundamentally different principles of organisation in the world order: one is essentially political and organizes the world's population as subjects of a series of formally distinct sovereign states, the other is essentially economic and organizes the world's population as participants in a single world production system (Hopkins and Wallerstein 1982). As with previous centennial celebrations, there is a lot of confusion about the true nature of recent (perceived) 'changes'. Some analysts perceive fundamental changes in the structure of the production process and in the political regulation-system¹ governing that process. True, the fundamental questions about government and politics, about market systems and about the relations between the two have, for a long time, been major time-consuming issues of academic research and political debate, as they were subjects of sublime thinking (e.g. Lindblom 1977; Heilbroner 1985). Yet today, there is a restless concern and widespread commotion about the future relation between the territorial sovereignty and the 'invisible hand' of the market system, a solicitude which seems to be more pronounced than some decades ago (Elkins 1995).

The threatening strength of global capitalism, the 'new Leviathan' (Ross and Trachte 1990), is disciplining state- (e.g. regions) and non-state actors (e.g. trade unions) all over the globe. These actors are shivering with fear, so the story goes, because the exit-option of global capital is submitting them to 'slavish dependence'. The conditions imposed by productive and financial mobile capital are narrowing the policy-options of national and regional governments. At least, this is what is proclaimed in popular discourses, in contrast to different findings of scientific research: the intensified threat posed by the exit-option is the result, according to popular belief, of globalisation, a process which is increasing the mobility of capital and extending the list of possible production-sites. But not only the 'rank and file' are turning towards globalisation when things get blurred.

Globalisation is the latest 'buzzword' to which observers resort when things seem different and they cannot otherwise readily account for them.² That is why a great variety of activities are labeled as globalisation, with the result that no widely accepted formulation of the concept has evolved: different observers use it to describe different phenomena, and often there is little overlap among the various usages.³ The result is that the globalisation-terminology is subjective, ill-defined or somewhat vague. This is not surprising as it encompasses a complex array of dynamic, interacting forces whose own parameters are not easy to establish (Dent 1996).

There is a great diversity of interchangeable terms such as internationalisation, interdependence, globalisation, and so on. But there are also very real dangers in not distinguishing clearly between certain trends towards internationalisation and the versions of the globalisation thesis. It is often the

case that evidence from cautious arguments is then used carelessly to bolster more extreme ones, to exaggerate and extrapolate modest changes, to build a common usage when there needs to be strict differentiation of meanings. It also confuses public discussions and policy-making, reinforcing the view that political actors can accomplish less than is actually possible in a global system (Hirst and Thompson 1996:4). Globalisation appears to be a myth, but a myth with a huge strategic importance. As *John F. Kennedy* once stated: “The great enemy of truth is very often not the lie, deliberate, contrived and dishonest, but the myth, persistent, persuasive and unrealistic.” (Lang and Hines 1993:149)

The myth of globalisation is suitable for a world without illusions, a myth that robs us of hope: “One key effect of the concept of globalization has been to paralyse radical reforming national strategies, to see them as unviable in the face of the judgement and sanctions of international markets” (Hirst and Thompson 1996:1, who label the political impact of globalisation ‘the pathology of over-diminished expectations’). Indeed, many over-enthusiastic analysts have gone beyond the evidence in over-stating the extent of the dominance of world markets, their ungovernability and the powerlessness of state-actors. Ruigrok and van Tulder (1995) explain the success of the globalisation-myth by its positive, if conflicting, connotations. Globalisation promises a better tomorrow, suggests harmony, ‘interdependence’, and appeals to the hope that old rivalries between people will be overcome. Globalisation conveys an impression of strength, of healthy and vigorously expanding firms and economies, heading towards greater efficiency and increasing wealth. But, the final result is the same: these powerful images mobilise support in various kinds of domestic bargaining arenas, where some parties are struggling to maintain whatever influence they have over firms, trying to escape from this arena, in order to comply with the rules of the global market (Ruigrok and van Tulder 1995:168-169).

The result of this ideological project is a popular, but ‘wrong’ and misleading, *perception*: the idea that the world is heading, in the next century, for a fundamental shift, a kind of ‘*Great Transformation*’ (Polanyi 1944): a century in which time nor place, history nor geography matters, in which global capital is sourcing all over the globe, along and across borders, looking for the ultimate cost-reducing site. In this battle of all against all, no single worker, state or firm is immune to this disciplining force. According to this belief, the inviolable rules of the free market are setting workers against workers, states against states, regions against regions. The borderless capital evaluates the state as too rigid and corpulent and propagates, once again, the ideal of the ‘minimal state’. This state is withering away, the *Keynesian Welfare State* (KWS) is disintegrating and is being replaced by the *Schumpeterian Workfare State* (SWS): the classic (European) KWS, is undergoing strong incentives, perhaps dictates, towards drastic adjustment. But the national state and society are not the only ones submitted to the SAP (structural adjustment program), drafted by the marketplayers.

Is the 'propensity to barter, truck and exchange one thing for another', as Adam Smith (1976) puts it in his *Theory of Moral Sentiments*, is the simple fact of survival in the economic rat race rendering the construction of a political community of (sub)states more difficult than the creation of the state was many decades ago? The question is: does the contemporary 'Economic Man' prevent the construction of a community of regions as he was once responsible for the construction of a community of citizens at the level of the national state? So, in this paper on the *mental* dimension of globalisation, we must also address the analysis to the *empirical* dimension of globalisation. The modern version of 'beggar-they-neighbour', the competitive provision of investment-incentives, is necessitating the structural adjustment at all political levels governing the socio-economic domain. Because of the delegation of important parts of the socio-economical policy-domains towards the regional government, these too (so the story continues) are forced to play the game. This obsession with competition, intensified by globalisation, is complicating a 'common regional understanding'.

Therefore, the following questions seem, at first sight, quite evident: How can the regions counter these 'structural adjustment programs' without a adequate institutional apparatus at the Union level, capable of protecting regional interests in the global economy? How can regions compensate for their insignificance in the huge global economy? The point is that these questions are *the product of the myth* of globalisation, proclaiming the irrelevance of 'place' in the global economy and setting one spacial configuration (regions, states and continents) against each other. The point is further that it won't come to that, which is not the same as declaring that there is nothing new nor worrisome worth mentioning.

What is known in political geography as the 'jumping of scales' has indeed changed the relationship between different policy-levels. The 'regional question' at the turn of the century is a difficult one: how can the regions 'defy the obligations of the global production system' without rendering a community of regions impossible before it is fully constructed? The answer is rather peculiar: by not buying the story!

This paper will try to argue and reason that proposition. This means that it is not, at first, a paper about empirical globalisation, the structural transition of production system, trade, investment, NIC's, etc. Although I will briefly and selective consider these trends⁴, the *main message* is one of criticizing a belief, a perception that shapes the definition of the situation. That definition of a specific situation - which is a human construction not an inescapable⁵ objective fact - is determining human behaviour. One message of this rather theoretical and abstract paper is that there is no acceptable and suitable way to deliberate how much of the general fear for the harmful effects of globalisation can be justified on the basis of scientific research. The point is that in the minds of the masses⁶ the global restructuring process has become a certainty, an unavoidable fact. My thesis is that as an *empirical* phenomenon,

globalisation is indeed a major overstatement: that in the empirical reality, globalisation is not so progressed as general *perception* asserts. But at the whole, globalisation seems to be an addictive mindgame. Therefore, this theoretical paper will deal with the mental, ideological dimension of globalisation and suggest a potential point of view, a possible approach of current evolutions.

2.Never judge a book by its cover.

2.1 Political preconditions.

The benevolent compliance with the ‘best-practice’ of the ‘post-Westphalian order’ is noticeable in most European countries. All the major actors of the socio-economic system⁷, workers, firms and the state, enter to a high degree into the logic of the global process of restructuring shaping the outline of contemporary society: deregulation, privatisation, liberalisation and competition. When reading successful books from influential writers, such as Robert Reich’s *‘The Work of Nations’* (1991) or Lester Thurow’s *‘Head to Head’* (1992), it seems like the only solution left. *The Economist* has put into winged words the central idea of this *‘pensée unique’*: “In much of the world over the past 20 years, thinking on the proper roles of government and the market has changed profoundly. It is no exaggeration to call this change a conservative revolution. Almost everywhere, and far more than modern ‘centre-left’ parties are willing to admit, what was once regarded as conservative thinking has become the new economic orthodoxy. In many cases the traditional debate between ‘left’ and ‘right’ has been abandoned altogether (...). In others the ground has shifted to questions that used to be regarded as of secondary importance. For instance, rather than arguing about the merits of privatising state-owned enterprises, political parties are more likely to disagree about exactly how, once privatised, the enterprises should be regulated. Almost everywhere, the old left has capitulated. Almost everywhere, ‘modern’ centre-left parties are much like traditional, moderate conservative parties, though with up-to-date public relations and added self-righteousness. As a result, the range of policy choices receiving serious consideration has narrowed dramatically. In this new consensus - in theory, at least, though by no means always in practice - markets have the upper hand. Taxes and public spending are best kept low; public borrowing is dangerous; inflation is not to be tolerated; explicit economic intervention by the state must always be justified. This much and more is common ground.”(The Economist, apr. 18th 1998) The conservative revolution, with Ronald Reagan (Reaganomics) and Margareth Thatcher (Thatcherism) and their respective advisers Milton Friedman and Friedrich August von Hayeck as banner-bearers, revived the ‘conventional wisdom’ that the ideal state was a minimal state and that deregulation, liberalisation, privatisation and competition was to become the strategic instrument of all governments.

These political conditions stimulated the worldwide expansion of economic activity, made possible by a series of technological advancements. Trade, foreign direct investment, merger and acquisition, manufacturing rights, outsourcing, global networks, transnational corporations and many other 'hot issues' are being conscientiously analyzed in order to capture the state of affairs at the end of the twentieth century. But one of the topics generally considered in this context is, in view of the subject of this congress, particularly relevant: the idea that regions are, to a high degree, in competition with one another. In the era of 'hypercompetition', described in the influential book of Richard d'Aveni (1994), the message is no longer 'creative destruction' à la Schumpeter but mainly 'destroy competition'.

2.2 Glocalisation as an acceptable compromise?

As Roland Axtmann puts it, there should not be any kind of antagonistic relation between globalisation and (macro-)regionalisation: "The globalisation of the economy is driven by the interpenetration of the advanced capitalist countries and in particular by the intensification of transfers among three economic macroregions: North America/United States, East Asia/Japan and Europe/European Union. (...) Economic globalisation has a pronounced geographic dimension. It has led to economic regionalization and political attempts to institutionalize regional economic cooperation." (Axtmann 1997:34) Globalisation was 'driven by' and 'has led to' regionalisation. Cause and consequence, the ultimate illustration of the intertwined bound⁸ between globalisation and regionalisation?

Anyway, two different metaphors are used to characterize the current state of interdependence. Given the wealth of data that is used to support each of these metaphors, it is increasingly difficult, according to Andrew Wyatt-Walter (1995), to discern which of them, regionalization or globalisation, better describes our present situation. As the GATT stated, 52 per cent of world trade in 1990 was intra-regional, or within trading blocs. In contrast, the UN's World Investment Report 1992 suggests that the increasingly central role of transnational firms in the world economy necessitates that we do away with our state-centric understanding of the world economy. There is no evident answer to the question which metaphor is most suitable to describe the empirical dimension of reality. In important respects, so Wyatt-Walter continues, they are both misleading as representations of a broader reality. Second, both regionalisation and globalisation are slippery and imprecise concepts, reducing their value as metaphors. Third, while regionalising and globalising tendencies are both at work in the contemporary world, these tendencies are at present more symbiotic than contradictory. Therefore, Wyatt-Walter concludes that neither regionalisation nor the metaphor of globalisation is entirely helpful.

In spite of these critical remarks - for which Wyatt-Walter only serves as an example - on the vagueness of both concepts and the ambiguous interpretable data used to defend them, there is a general accepted consensus⁹ that according to the results of a great majority of the scientific research on that matter, regionalisation is the most fitting term to describe the current state of interdependence, especially in the case of the EU. The data used are blatant: economic exchanges and operations are, for the time being, predominantly concentrated within a specific (macro-)region. This means that in general, economic globalisation is not so global at all. Even the operations of multinationals¹⁰ continue to vary systematically along national lines. Keller and Pauly (1997)¹¹ consider the global corporation as a myth.¹²

However, according to Michael Newman (1996) it seems reasonable to suggest that the global economy is the more dominant interlocking system since its constraining pressures would exist irrespective of the existence of the EU and because the latter is, at least in part, an attempt to control some of them. That is why globalisation and regionalisation are no antagonistic terms: regionalisation as a strategy to restrict and control some of the pressures of globalisation. Indeed, since economic transfers are increasingly evolving on a supra-national cross-border level most states, irrespective of their size and location in a specific region, are to some degree subjected to William Greider's (1997) *manic logic*. So, after this utmost brief selection of the different visions and argumentation on globalisation/regionalisation, one thing is certainly clear: only a nuanced answer, that leaves room for exceptions and variation, is suitable.

The end of the postwar Fordist regulation at the beginning of the 1970s went hand in hand with an intensification of the ongoing changes in the international division of labour (Fröbel, Heinrichs and Kreye 1980). In the words of James Mittelman, "the familiar imagery of a core, semi-periphery, and periphery no longer applies to a new structure that envelopes both vertically integrated regional divisions of labour based on the distinctive comparative advantages of different locations, and horizontally diversified networks which extend their activities into neighbouring countries as part of corporate strategies of diversification and globalization." (Mittelman 1997:77) The world today seems more integrated than the one in which *Lenin* wrote his analysis of imperialism. But, it's not only a mere impression that there is something different about the scales on which human activities develop.

An interesting idea is the concept of '*jumping of scales*', a concept contrived by geography. I will apply this concept to the subject under consideration because it enables to clarify things in a broader perspective. In short, Swyngedouw (1996, s.d.) considers scale no longer as fixed, stable and frozen moments. Scale is neither ontologically given nor a politically neutral discursive strategy. The current process of re-scaling has important political consequences and some clear empowering-disempowering effects. Scales of social regulation/reproduction and scales of production have changed, but while

social regulation tended to move downward (individual, region), scales of production have become supranational, certainly cross-border. Furthermore, social relations, of which power is an inherent feature, are framed in a specific spatial-temporal dimension. Power has, in many cases, to do with control over a specific space or scale (local, regional, national, global), for as long as possible or necessary: the alliances which social groups or classes forge over a certain spatial *scale* will shape the conditions of appropriation and control over *place* and have a decisive influence over relative socio-spatial power positions. Existing scales are the result of preceding struggles for power and can be adapted to the changes in social (power) relations. In other words, the dominance of a certain scale - e.g. the national level - in a political system is the outcome of a power-relation and simultaneously influences the continuation of that relation.

The increased mobility of capital, goods, services and information, has severe consequences for the distribution of power within a certain society and exerts influence on the scale at which regulation of production will be determined. In other words, the power to move, and - the real point - to move more than others, is of huge social significance. It must be underlined that it is relative mobility which is at issue. The mechanism is simple: the relatively mobile/powerful try to stabilise the power position sources of others in part by tying them down in place (Massey 1996), while possessing the freedom and ability to overcome space by commanding scale. In short, place matters, but scale decides. The spaces of the circulation of capital have been upscaled, while regulating the Fordist production/consumption nexus has been down-scaled, shifting the balance of power. It is here that Swyngedouw introduces the concept glocalisation¹³, the re-scaling of the state.

So, power is based on the relative mobility of some and on the fixation of their opponents on a certain scale. Capital derives power from increased mobility, enabled by the process of globalisation, and from the selective refusal of political actors to organize accurately on the same European scale, since they are unwilling to hand over more deciding competences, for instance in the field of social regulation, to that scale. Indeed, there have been some formal transfers of competences in that field, but they do not entirely amount to a real, meaningful competence of the EU on, for instance, social security and legislation. These competences have in several EU-member states been partially transferred to the micro-regional level, while the Union itself was chosen for the 'high politics' of the EMU and Maastricht-criteria, enabling the Union to define the general contours of economic processes and the national scope for policymaking. The change of the relative importance of scales, the fragmentation of competences in the field of social and labour policies, employment policies, etc., is what 'jumping of scales' is about: "This (stretching process) is a process driven by class, ethnic, gender and cultural struggles. On the one hand, domineering organizations attempt to control the dominated by confining the latter and their organizations to a manageable scale. On the other hand, subordinated groups

attempt to liberate themselves from these imposed scale constraints by harnessing power and instrumentalities at other scales. In the process, scale is actively produced.” (Jonas 1996, o.c. in Swyngedouw 1996)

Let me take the argument a little bit further, on the slippery field of devising an debatable supposition, by extrapolating this reasoning on a pure hypothetical basis. *The objective of this far-reaching exaggeration is to draw the attention on a quite modest, simple but neglected thesis.* My only intention is to *illuminate a pure theoretical assumption*, which is not an empirical observation, in order to take into consideration what must be considered as *one possible approach*. This approach, which is one out of many, could possibly have some value in understanding current transformations. It is a point of view which could be considered in research conducted with an open mind.

One could suggest, as an unprovable and speculative hypothesis, that it becomes an interesting strategy for domineering industrial groups, to emphasise differences/competition¹⁴ between, for instance, regions. At least it could be a pleasant stroke of luck if those differences between ‘we and them’ were becoming important¹⁵, if dominated groups such as workers were tied down in a certain place (their region) on a certain scale/policy level (the region/national state). The downward jumping of scales of several competences which determines to a high degree the cost of production in that place¹⁶ is not only favorable for the demassification of labour but also implies an incitation of setting one region against the other. When regions, in a hypercompetitive context of perceived globalisation, are partially responsible for the determination of the production costs it can be expected that, given the modern version of *beggar-they-neighbour* - in which each region strives to do better than the others in attracting new investment and keeping existing activities - the construction of a community of regions is complicated by the common perception that there is a firm economic competition between them. After all, it is not improbable that a slightly pathological form of the discourse of competition defiles the minds of leaders and masses.¹⁷

However, there is little new about suchlike conclusions. For instance, Engels indicated in ‘*The conditions of the working class in England*’ (1968), written in 1845, that the power of unions was dependent on the place and scale on which they were organised. So, it seems to be a recurrent phenomenon that, during periods of great social, economic, cultural, political and ecological turmoil and disorder - which we try to capture with the label globalisation - important processes of geographical re-scaling take place that interrogate existing power lines while constructing new ones. Swyngedouw underlines that changes in scales of production/reproduction can go either upward or downward, but will always express new power relations and shift the balances more to one side than to another. Over the past decades, it has indeed been mainly capital that ‘jumped’ upward while in many cases (and with varying degrees of resistance) the regulation of labour conditions and other cost-relevant competences

moved downward. Regulatory codes, norms and institutions as well as economic processes are spatially jumping from one scale to another.

The increased significance of the enterprise in collective bargaining is an indication of the downward movement of social regulation. The division of tasks, based on the Fordist compromise, was regulated at a national level. The bureaucratic regulation of the wage nexus at the scale of the national state was something which the labour movement struggled hard for throughout most of the century. That regulation became more problematic when a significant part of the production system supranationalised or when a majority of the mass workers-confronted cheap import competition. The argument of this paper, developed in section three, is that it is not very relevant if these processes are just perceived or believed rather than to be justified on the basis of empirical research. The lowering of the scale of work and social regulation towards an individual and regional level coincided with a heightening of the scale at which the general framework of the economy and capital were regulated, namely at the level of the EMU. This detachment of the regulation of different aspects of the economic cycle, which was assured under Fordism by a *national* social compromise and led to the virtuous circle of the 'Golden Age' (the historical exceptional period of prosperity and progress between 1950 and 1970; see Maddison 1991) is what is changing the relevance of the scales under consideration.

2.3 Gone with the wind.

Indeed, the reproduction of social relations under Fordism was anchored at the national level. A complex assemblage of formal and informal codes, practices and regulations, based on a profound common understanding, governed the socio-economic system. Before post-war Fordism, these mechanisms were also embedded at the local level while under Fordism they became predominantly part of the national institutionalized compromise and an essential foundation of the Keynesian welfare state.

It is tempting, in this era of globalisation, to predict the degeneration of the national state. There seems to be a widespread conviction among opinion leaders that the national state will be blown away by globalisation, with the force of the North Italian 'trompaderra', or that the national state will be undressed and hollowed out by the upward (European integration), downward (regionalism, devolution) and outward (privatisation) scaling of competences, or that, at least, the national state will be severely dislocated by the gentle breeze of structural transformations it has to go through in order to adjust to the 'incentives' of the ideology of competition. This transformation will take the state away from Fordism, towards something different (post-Fordism). Indeed, the relative position and importance of the state is shifting in decisive ways when the market imperatives become the

ideological and political legitimization of institutional reforms. That 'silent revolution', by which the Keynesian welfare state is gradually and almost imperceptible transformed into a Schumpeterian welfare state, is according to a temporal majority of scientists generated by the trade and production changes that have often led to significant economic and social dislocations (e.g. McClintock 1996; Martin 1994). I will not ruminate the argumentation on that matter, explained with great craftsmanship by others (Burrows and Loader 1994; Bonefeld and Holloway 1991), but will only briefly mention what could be the significance of that shift for the subject of this paper: the relationship between regions in the context of the EU construction. A relation which, from a strategic point of view and given the logic of collective action, necessitates a common understanding between regions in the light of their interest mediation.

It must be clear, I do not believe the 'withering away' or 'hollowing out' thesis is correct. It is however a fact that the national and regional¹⁸ state is undergoing profound changes. It is also quite evident that the state will continue to be a first-rate player, since no economic system, not even a free market, can do without it. The question is how much scope for policymaking there is left or how dependent the state is on the signals of the 'hidden hand'? In their interesting study, Palan, Abbott and Deans (1996) enumerate several state strategies in the global political economy indicating the variation of strategies states have at their disposal.¹⁹ As they declare, while the uniqueness of national social formations ensures that there will not be a single unified response to globalisation, there is little evidence to support the idea that globalisation is not having a profound and transformative impact upon the entire spectrum of political systems. It is not possible here to treat this matter into detail, but attentive observers will agree that a hype of the 'competition state theory'²⁰ can be discerned, a theory which passes on that states can and should enhance 'their' competitiveness. The 'capitalist developmental state' in East Asia, wrongdoer in the eyes of the West, is probably the most close to the 'competition state' ideal and is sometimes suggested as the 'best practice'.²¹

This rage can be interpreted negatively, because the logic of the situation forces states increasingly into a zero-sum-game as they compete over market shares (e.g. Susan Strange 1988, 1995, 1996)²², or positively as the OECD, IMF and other adherents of the '*Washington Consensus*' seem to do: states will benefit from the adjustment towards the '*pensée unique*'. Anyway, a redefinition of the role and function of the state is the catchphrase. Redistribution, the mainstay of the Fordist state, has been relegated. The creation of a stable environment of accumulation - by providing financial stability, infrastructure, an educated workforce, a favourable tax system, etc.²³ - comes first.

As Linda Weiss (1998) only recently explained, the idea of the powerless state is a myth, but a paralysing one. The state is not without power. However, current evolutions seem to suggest that all states are subjected to the same insuperable force, which we label - for convenience's sake -

globalisation. Convenient because it identifies an enemy: other countries, regions, workers, against which we must defend ourselves. That is, in many cases, where the 'competition state', the post-Fordist²⁴ SWS is about. The basis of the last is flexibility. Post-Fordism can be defined as a flexible production system based on flexible machines or labour systems and an appropriately workforce. Bob Jessop: "In seizing on these new or recharged sources of flexibility, capitalists hope to overcome the alienation and resistance of the mass worker, the relative stagnation of Taylorism and mass production, competitive threats from low-cost exporters in the Third World and the relative saturation of markets for standardised mass-produced goods." (Jessop 1994:19)²⁵

As a stable mode of macro-economic growth, post-Fordism is based on the dominance of a flexible and permanently innovative economic accumulation. As a social mode of economic regulation, post-Fordism involves supply-side innovation and flexibility in each of the main areas of regulation.²⁶ The predominance of micro-electronics-based information and communication technologies, flexibility and permanent innovation are the solicitudes of the SWS. So, Jessop declares, its distinctive objectives in economic and social reproduction are the promotion of product, process, organisational and market innovation in open economies in order to strengthen as far as possible the structural competitiveness of the national economy by intervening on the supply side²⁷ and in order to subordinate social policy²⁸ to the needs of labour market flexibility and to the constraints of international competition. As Jessop indicates, the internationalisation emphasises the character of wages as costs of production. Therefore the basic domestic premises²⁹ of Keynesian welfarism are called into question.

To bring this discussion to an end, it is clear that the SWS has various tasks to fulfill, ranging from R&D, promotion of new sectors creating innovative technological capacities, education, infrastructure, new legal forms for cross-national cooperation and strategic alliances, an intellectual property regime, the subordination of welfare policy to the demands of flexibility, ... to all kinds of other activities concerning the management of the process of internationalisation itself, in the hope of minimising its harmful domestic repercussions and securing maximum benefit to its own national 'located' or home-based firms and banks. So, it is clear that the SWS is not without assignment, requiring at least a sizeable remainder of previous powers because these tasks are situated in the field of national competences or are downscaled towards the regions. The upscaled competences influence, to a high degree, only laterally and indirectly the above-mentioned, since competences of the EU are mainly designed to shape the general (fiscal, budgetary, monetarily, competition, social, environmental, etc.) framework of the European economy. Indeed, a framework which becomes increasingly thorough, influential and less 'frame'. Nevertheless, that framework also leaves - for the time being?- sufficient room for determinative national and regional competences, and thus differences.

2.4 The smoking gun.

Of equal importance to the question if globalisation or regionalisation is the most suitable metaphor, is the one about the impact of cross-border economic interactions on the situation of the majority of the inhabitants of a given region. Is it possible to determine an effect of the increased global interdependence on the standard of living of the average citizen? Is it possible to determine how much of the popular belief can be based and legitimised by the findings of empirical enquiry? Is it possible to determine if the increasingly global level of cross-border economic interactions is the perpetrator in this exciting story? Academic researchers are assuming the role of Sherlock Holmes and come to the conclusion, one again, that competition with remote nations is not responsible for the greater part of the increase of unemployment and wage inequality. But, 'for the greater part' leaves room for deviation from this general rule.

According to Brand (1997:57), the key fact about the situation of working people today is their widening exposure to the international division of labor. The extent of this exposure is shown by the growth in the volume of world trade, by the changes in its composition, and by the geographical shift it has undergone. Therefore, for Brand 'it is hard to see why' people like Paul Krugman underestimate the relation between globalisation and the position of national and regional residents. William Pfaff (1996) phrased another deviation from the general rule when he took a clear position in *International Herald Tribune*: "The poor we will have always with us (...). The investor will always find another labor pool to tap when the existing one becomes inconveniently exigent. (...) Bargaining now is impossible for any task that can be exported. This now is universally true. This transformation in the transition of labor in the advanced countries, as well as in the developing world, is permanent." Not only the 'rank and file' are perceiving a global labourmarket with lasting and sweeping consequences. Even amongst erudites, there seems to be a lot of confusion about the real impact of globalisation on the well-being of the majority of the national and regional constituents (e.g. Burbach, Núñez and Kagarlitsky 1997; Miliband 1989).

Scientific research has not found 'the smoking gun', as Peter Gottschalk and Mary Joyce (1995) put it so nicely. Research tried, by chipping away at existing explanations, to reduce the list of plausible explanations that could not endure empirical tests. These explanations were built to explain unemployment in Europe and the increased wage inequalities in the USA, the sharp increase in demand for high-skilled workers and why, at the same time, competition eroded the position of low-skilled workers, who had to 'compete with low-skilled workers in the rest of the world'. Enumerating the results of the great amount of empirical research on that matter is simply impossible. Yet, professionals engaged with the subject will tell you that the effect is rather minimal.

For instance, the *IMF Working Paper* on '*The Effects on Wages in the Advanced Economies*' by Matthew J. Slaughter and Phillip Swagel (1997)³⁰ which summarizes a long list of research on the connection between globalisation and labour markets in advanced economies. Focussing on the impact of imports from developing countries on wages, employment and income inequality, the consensus of empirical research suggests that increased trade accounts for only about 10 to 20 percent of the changes in wages and income distribution in the advanced economies. Furthermore, it is indicated that the more important influence on labour markets in the 1980s and 1990s has been a technology-driven shift in labour demand away from less-skilled workers and towards more-skilled workers. Particularly with respect to import competition, popular beliefs appear to be at odds with the empirical evidence that this aspect of globalisation has had only modest effect on wages, employment, and income inequality.

So, global cross-border economic interaction can't be blamed? Or is this jumping to conclusions, rather than of scales? Modesty is in order since, although the overall changes in employment and in wage inequalities are too large to be explained by the changing trade and price patterns of internationalisation, we cannot precisely measure the relative importance of specific factors, e.g. trade and technology (Sachs and Schatz 1994:4). Dani Rodrik, author of '*Has globalization gone too far*' (1997), made an interesting remark on the great variation of results: "I think that, over time, the variance of the estimates has been rising, so that some economists are willing to attach a larger impact and others are saying that the effect is more nearly zero or even possibly positive. I think that the right way to think about this is that there is a variance of estimates and that we have to be mindful of that." (Challenge 1998)³¹ In other words, we should take into consideration the variation of results from research trying to find the smoking gun and we must be aware of the fact that the only consensus possible is that the effects are 'rather limited', and not about their precise magnitude.

Assuming, for the sake of the argument, that these figures are correct and that competition with developing countries is responsible for 10 to 20% of the decrease of wages and increase of employment in advanced countries, what is the relevance of this knowledge? That 80 to 90% of the analysed evolutions are due to other factors, such as technology? That, in quantitative terms, the fear is exaggerated and highly irrational? That one must not be so afraid of competition with remote countries, firms and workers since this fear is not empirical justifiable: our limited business with these sites has only a minor effects on our income and employment-situation. But, how much is 20%? Enough or ridiculous little? Is there any possible and acceptable way of drawing a line from which a fear of global competition can be justified? Who can decide that 20% is (not) enough to justify the widespread fear³²? On what basis can one draw such line? Who determines that convention? Popular conviction, since the majority is never wrong? Who is covered by this 20%? As in section 2.2, the message is clear: in general, we are not involved in a lethal competition with remote, cheating countries who base

their competitive advantages on the exploitation of labour conditions, tax regulation, subsidies, etc. But some of us are, as spectacular examples indicate. And, it is believed, 'it could happen to anyone, everywhere'.

2.5 Denotation and connotation

What does it mean, if rich countries are mainly doing business with one another³³, although the fact that trade with and FDI towards NIC's and other members of the Triad have increased profoundly for many years now³⁴? What does it mean, if European countries are preponderantly doing business with other members of the continent, as the research suggests? It means that most trade in the world economy is driven by income: the big importers are the richest countries, that geography matters since neighbouring countries tend to trade with each other much more than with the rest of the world. Even Wyatt-Walter acknowledges that regionalisation was more pronounced in 'fortress Europe'. More importantly it means - next to the assumption that competition may be 'hyper', as some assert - that competition is also mainly 'European'.

The obsession with competitiveness is, however, not a specific European phenomenon. The idea that a country's or region's economic fortunes are largely determined by its success on world markets is a very popular, global hypothesis. But as Paul Krugman (1997) stated, not a necessary truth: as a practical, empirical matter that hypothesis is flatly wrong. It is simply not the case that the world's leading nations are to any important degree in economic competition with each other or that any of their major economic problems can be attributed to failures to compete on world markets. So, the growing obsession in most advanced nations with international competition should be seen, not as a well-founded concern, but as a view held in the face of overwhelming contrary but neglected evidence. Rather than re-running that evidence, the central question must be why this obsession flourishes, in the face of that evidence. The position taken by Paul Krugman is perhaps an extreme one, underestimating the impact of some of the (modest) objective-empirical facts and figures on globalisation. By drowning the statistics, facts and figures of the followers of the globalisation-thesis in the deep sea of numbers on GDP, international trade and investment, Krugman is probably doing wrong to the observed trends towards globalisation.

Since obsessions are rarely rational considerations, one must also look for the answer in the realm of irrational convictions. I shall return to this point in section 3. First, I must adduce some other aspects of the argument.

The meaningful consequence of the fact that the economic competition, in Europe, is mainly European - rather than a violent struggle against NIC's, Japan or the USA - is that the outcome of this

steering principle of social allocation is dependent on the performance of socio-economic actors in individual EU-members. Since research has indicated that the EU is a very regionalized macro-region, with a high degree of internal interdependence and interaction, the 'internal' not the global market is the first battlefield. But political-institutional (d)evolutions have, in all major European countries, shifted important socio-economic competences upwards and downwards, away from the nation-state. In the European market, the political option has been to transfer competences towards the macro-regional EU-level and towards the micro-regional level. Both are chapters of the same story.

The competences entrusted to the EU are 'high economics', by analogy with 'high politics': the construction of a common macro-economic framework, shaping the European market e.g. by means of the ECB, a common budgetary and financial policy, etc. Social Europe is according to some mainly limited to *window-dressing*. Anyway, the general and superficial competences of the EU in the social field are without a truly decisive influence on the course of economic activity and on the decisions on the location of production. Due to national differences and incompatibilities, the social regulation of the European market is still mainly established at the level of the member states. And, as a result of regional and nationalistic tendencies within some EU-members, parts of the power to regulate the social framework of the market have been assigned to the regional authorities.

In other EU-members the process of regionalisation has not (yet) resulted in a meaningful transfer of competences enabling the regional state-level to influence the economic interactions. In several EU-members, only apparently 'soft' competences, such as education, arts, infrastructure, environment, etc. are placed in charge of the region. Apparently soft? Because of the perceived omnipotence of the global competition and its far-reaching charisma, 'soft' issues increasingly become 'hard', economic issues. This means that the majority of the competences of the regional authority will also be translated into their economic relevance, in order to take their contribution to the wealth of the region into consideration. Whatever the nature of the competences allocated to the region, it seems to be a recurring reflex that they are for the greater part also interpreted as economically relevant factors, or at least that the economic (most specifically cost-) consequences of each decision taken in the field of a specific competence are taken into account. A very deciding reflection is whether a certain decision deteriorates or improves the competitive position of those living in a region and since all regions or states are captured by this logic, there seems to be no other way. The basic but wrong assumption underlying this belief is that competition is a zero-sum game, an assumption which political rhetoric illustrates daily when they warn us not to be a loser but a winner, who takes it all.

A pronounced illustration of the obsession with competition - which is, of course, a superb mechanism of allocation - and of the concern with the frightening others is the debate on labour costs. A debate which is often not deprived of misconceived arguments. In many cases, the participants in this

debate focus on the variation in labour costs, e.g. between regions. As the European Commission (1997) indicated in their annual report '*Employment in Europe*', the extent of the variation in itself is of relatively little significance. What matters instead is how far it is justified in relation to variations in the productivity of labour, or in the contribution of labour to value-added, between regions. It is the combination of wages and productivity, the unit labour costs, which is important since this determines the labour element in the overall costs of producing in one part of the Union rather than another.

In 1992, the latest year for which comparable data at the regional level are available, average labour costs in industry ranged from a minimum of around 5 ECU an hour in the Portuguese regions and around 7 ECU in Greece to 23-24 an hour in most parts of West Germany and in the Paris region, with an apex of 27 ECU in the city of Hamburg.³⁵ In theory, labour costs should tend to be lower where the productivity of labour, in terms of its contribution to the value-added, is also relatively low, irrespective of the sector of activity in which labour is employed. The EC is very clear on that matter: "In practice, by far the greater part of the variation in labour costs between regions across Europe is reflected in differences in labour productivity, in terms of value-added per hour worked. In terms of unit labour costs, or the labour cost involved in producing in one part of the Union rather than another, there is, therefore, much less regional variation and, for the most part, no systematic relationship between average labour costs per person employed." (European Commission 1997:81) In other words, productivity differences tend to compensate for wage differences and there is little incentive, in this regard at least, for firms to shift production from one region to another.

As any attentive reader will notice, there is a clear conditional nature in the above formulations: 'by far the greater part', 'for most part', 'tend to' and 'little incentive'. Why? Because these are general conclusions, only valid on a high level of aggregation. This discrepancy between general theory and conclusions on the one hand, and some individual, concrete cases and experiences³⁶ on the other, feeds the fear for globalisation, stimulates the perception of a 'global cutthroat competition' and undermines the acceptance of these general conclusions by the masses. Exceptions are extrapolated and considered as the rule.

Anyway, the conclusions under attack indicate that competition is mainly European and, within the Union, not based on interregional differences in labour costs. Furthermore, research also indicates that competition is mainly between neighbouring countries and adjacent regions, which seems rather evident³⁷ but nevertheless contrasts with some impressions. This means that competition is mainly between societies with a similar legislation and regulation, welfare system, etc.. Of course, there are differences and because of them there is room for intra-Union relocation and social dumping, but these are smaller than believed.

Let's summarize before we continue the reasoning: regionalisation seems to be the most fitting description of the course of economic interactions at the eve of the twentieth first century.³⁸ Competition is increasingly global but, in our case, still mainly European. Behind the process of re-scaling, one could imagine - on a pure theoretical basis - a struggle for power based on a simple mechanism in which capital tries to keep workers and regional authorities rather powerless, by tying them up in a series of places, by emphasizing and using differences between them, by jumping downwards with competences of severe cost-competitive importance. Within the EU, several competences of overriding importance towards the costs of production on a specific site are assigned to the regional authorities. The popular belief declares that (regional) governments, must bow to the incentives of the free market, redesign the institutions and rewrite the regulations embedding that market. Flexibility, deregulation, privatisation, cost-competitiveness on all domains to be influenced by the competence of the regional authorities, these and others are the slogans urging regional governments on to the (post-Fordist) adaptation of their territory, setting regions against regions and jeopardizing a common understanding between these entities, an understanding necessary for the efficient functioning of European system of 'checks and balances'. In the face of overwhelming contrary evidence.

3. The function of fiction.³⁹

3.1 The burden of proof.

Fiction refers to the persistent popular belief that we are all mixed up in a death spiral of global competition setting each nation and region against the other, outbidding each other in order to acquire new investments and preserve existing ones. 'Overwhelming' contrary empirical evidence shows that it is 'flatly' wrong. The question of this section is: what could possibly be the function of this fiction?

In section 2.2 on the relationship between power relations and 'jumping of scales', I drafted an unprovable hypothesis. I'm not claiming that this hypothesis is only for the time being undemonstrable and that, in future times, the rightness of the fantasy will be ready for critical empirical examination. It is not true that this, at first sight pretty irrelevant, remark is the regrettable product of some persistent, superseded and old-fashioned furious left wing 'conspiracy-religion' in which naughty capitalist were tormenting defenceless and innocent citizens. Indeed, suchlike religions must be condemned in the most severe terms. The objective is much more simple than all this: (over-)emphasising the role of perception and ideology serves the goal of illuminating this underestimated and underrated factor, neglected in major parts of the literature. The hypothesis on the empowering and disempowering effects of re-scaling can and will not be tested here. The only purpose of this imperfect and criticizable

procedure is to instill the reader a critical reflection towards the significance of the positivist-empirical research on globalisation for the explanation of human behaviour, to demonstrate that more is hidden than is seen and to familiarize oneself with the idea that fiction could have an important function.

References to 'potential globalisation' are rather rare in the immense literature on this subject. Kenneth Thomas phrased it clearly when he wrote in his *Capital beyond Borders* (1997) that the nature of capital mobility has often been misunderstood: "To understand the importance of capital mobility in the world's political economy it is necessary to conceive of it as the *potential* to move capital and to coordinate production across a wide geographical area. This shows its nature as a power resource and a structuring factor in the world economy." (Thomas 1997:73) The difference between the actual and potential mobility and interdependence in the world economy is a reflection of that between general theory and daily experiences. Potential globalisation as a concept refers to the use of capital mobility - vis-à-vis states and labour - as a threat: it indicates the power of firms based on the threat to use their (perceived and actual) ability to coordinate their production across a widening geographical area and to relocate production *unless* (e.g regional) governments agree to demands made by these companies. This potential ability is credible on the basis of some (exceptional) actual experiences.

Finding more than anecdotal evidence for a rising pattern of threats is very difficult. There are some possible and necessarily indirect methods (e.g. data on contract-settlement language restricting management's right to shut down or relocate production, provisions in collective bargaining, analysis of published reports and coverages on threats, opinion polls, considering 'peak flows' as the 'limits of the possible') but the fact remains that there is a serious methodological problem.⁴⁰ The problem is that the positivist-empirical method, which is conventionally considered as the 'best practice', can only observe and register things that 'are' or 'have been': actual, objective facts. Things that (probably) 'will be', but for the time being 'haven't been', cannot be captured according to normal standards of methodological correct research. One cannot measure events that have not (yet) taken place and therefore, one cannot build an acceptable hypothesis on it. The only academic solution possible is the formulation of an 'educated guess', a preview on future events, based on as much empirical evidence as possible which renders the extrapolation acceptable. In contrast with what is often believed, popular expectations, previews or prospectings on what future will bring us do have some meaningful effects, here and now, even if it is very difficult to examine them using a conventional and acceptable methodology.

3.2 Tomorrow is here, today.⁴¹

It is pretty irrelevant if these expectations are considered as scientific unacceptable because those - the rank and file - believing them do not pay attention to such qualifications: the discrepancy between the objective reality and subjective appreciation is for them of subordinate importance.

One. If people believe potential globalisation to become actual some day, they will adjust their behaviour to that belief.⁴² What they believe or fear to happen tomorrow has clear consequences, *hic et nun*, for their behaviour and conviction. Human beings can, to a high degree, 'create' their own reality, since, amongst other reasons, only humans possess a prospective faculty. Human behaviour is defined by a set of social norms and expectations which creates a situation in which one can prophecy a given outcome in a given situation.⁴³

The *self-fulfilling prophecy* occurs when our ideas about something lead us, or someone else, to act in ways that produce a confirmation of those ideas. For example, when we believe that we are involved in a demanding competition with other regions, at first glance these regions indeed seem rather hostile: we interpret all their actions as manifestations of our expectation. If masses⁴⁴ believe that 'others' try to outbid us on the market of investments, we will interpret their actions, deals, policies, legislation, etc. in that direction, whether that was their intention or not. So we will respond by 'playing the game' and defending our interests against others. Whether our expectations are correct or not has only little effect on our beliefs and on the behaviour we base on it, our initial actions produce/stimulate the facts that we expect, a self-fulfilling prophecy determines the outcome. How we act towards others and think about them is communicated to the 'opponents', who then prepares for the same expected or 'believed' hypercompetition.

Two. What we believe others will do is part of the definition of the situation, the estimation of the reality we live in. As Thomas and Thomas wrote in 1928, 'if men define situations as real, they are real in their consequences' (Thomas and Thomas 1928)⁴⁵. In other words, a person's perceptions, not (only) objective reality, will provide useful clues for understanding subsequent behaviour. People respond not only to the objective features of a situation, but also (and often mainly) to the meaning this situation has for them. The definition of the situation implies examination and deliberation, both influenced by belief-systems, values, tradition, etc. of the society we live in. So, that definition is by no means free and individual. If people define the situation they live in as one typified by global competition within regional blocs and in which one has to adapt to the dictates of that global market in order to survive,⁴⁶ then people will react accordingly and accept - with less protest and resistance - the structural adjustment towards the competition state model of the SWS, downsizing and outsourcing, relocalisation, etc. as if they were aspects of a natural, inevitable force.

Three. Dennis Wrong, in his masterly *Power. It's Forms, Bases and Uses* (1995) indicates two senses in which power is always potential. The first, a trivial one, is that it is meaningful to assert that

someone has power even when not engaged in exercising it if there is no reason to doubt his ability and disposition to exercise it on future occasions as he has in the past.⁴⁷ The second, more significant and complex sense in which power is potential is summed up in Carl Friedrich's (1937, 1963) well known phrase 'the rule of anticipated reactions': people may react to the possessor or controller of resources by anticipating the effective use of these resources to control their own actions.⁴⁸ This means that people take actions based on their anticipations of what the alleged powerfull wish them to do in the relevant circumstances,⁴⁹ even in the absence of observable communications or actions from those considered as powerfull. This is the debate, which I cannot explain here, on '*non-decision making*' (Bachrach and Baratz 1962; Lukes 1974), on latent power based on anticipated reactions in which the raising of issues that pose a challenge to the interests and goals of the power holders can be prevented. This third aspect explains why people, like union members, hesitate to express more 'radical' demands - e.g. an increase of the tax on profits, of the unemployment benefits - because if they do (anticipation), firms will relocate (reaction) as this exit-option is much more credible in the era of globalisation (perception, definition of the situation). These issues will not be raised (agenda-setting, non-decision) even in the absence of any act or message on the part of those firms, even in the absence of the expression of the perceived threat (inaction).

So, it is extremely difficult to capture potential globalisation by means of standard scientific procedures since the course of this process depends on inaction, perception, non-decision, interpretation, etc., which can only with greath difficulty be approached by the positivist-empirical operating procedures. And yet, this somewhat impalpable and intangible concept potential globalisation is shaping the behaviour of so many actors, including regional authorities, by means of the mechanisms just mentioned.

In sum, reading one, two and three together leads us to the evaluation that there is something peculiar about the ways through which globalisation affects the relations between regions. Not only by imposing 'objective', actual threats and challenges⁵⁰, but also - and this is the central point - by creating a certain state of mind, a subjective definition of the situation which stimulates what we expect to happen, since our ideas about global competition lead us and - given that this 'unique thinking' is also very popular in other regions - others to act in ways that produce a confirmation of those ideas. Globalisation is at the same time cause and result, fact and value, a new expression of an old regularity, a name for the tumultuous restructuring of production processes, for the changing significance of the spatial-temporal locus and for the re-scaling of competences. A suchlike classification demands the most of classic research, wich is based on ideas going back to the *Age of Reason*.

4. Conclusion.

The general argument is that this era of neo-liberalism and increased globalisation has actually influenced and circumscribed the extent of the autonomy that previously existed at the national⁵¹ and sub-national level. This does not mean that it has ended it entirely. Regional and national governments continue to retain considerable leverage over their economies. On the other hand, it is true that the idea of reducing the say of political authorities over the market is, in general, considered as a best practice of competition-policy. However, that is just what it is: an idea, a mental convention. Minimizing regional or national state influence is not a natural, irrefutable, insuperable and unshakable given, independent of human intervention. It is the explicit result of human behaviour which is, as ever, based on the definition of one's situation, a definition which is the result of values, perceptions, experiences and so on.

This is not to say that nothing changed.⁵² The critical attitude towards the state-centric approaches are completely justified and the ontological primacy of the state should indeed be seriously questioned.⁵³ Globalisation has increased the credibility of the exit option of an ever more mobile capital, has stimulated the incorporation of ever larger territories in the capitalist market system, etc. (as it was, at the same time, the result of those evolutions) and has therefore changed the rules of the game. So, the 'hollowing out' of the KWS is not entirely imaginary: in spite of the fact that the national and regional state is still politically significant and retains much of its formal sovereignty - as an ineffective, primarily juridical fiction? - its capacities to project its formal power are weakened. It has, however, not vanished. Yet, the common perception seems to be that these remains of glorious times must be brought into action in order to please mobile entrepreneurs and that the tendency towards a SWS - or any other version of the competition state - is inevitable since other states and regions are exhausting themselves to do the same, trying to snatch away existing and new investments. This discourse of competition, a concept that evolved from an instrument for efficient organisation and allocation towards an absolute criterium for all government qualifications, is endangering interregional solidarity, which is necessary for a collective interest mediation. As Mancur Lloyd Olson (1965, 1982) indicated, solidarity and harmony are important ingredients for a divided community to accomplish common goals, such as a representation at the European level. Or better, a community with perceived divided and antagonistic interests is not evident.

On the road to the construction/completion of an European Community or 'Union of regions' - a mechanism of uniting, through the principle of subsidiarity, remote supranational integration with the policy level more close to the integrated - we still have a long way ahead of us. Not only objective facts but also subjective interpretations can be an impediment to traffic. And the latter can be avoided.

¹ The concept of 'regulation', and many other of my insights and points of departure, are based on the 'Theory of the Regulation School'. For an introduction: Boyer (1990). The Regulation School shares some resemblance with the 'Theory of Social Structures of Accumulation'. For an introduction: Kotz, McDonough and Reich (1994).

² According to Roland Robertson (1992), globalisation is best understood as indicating the problem of the form in terms of which the world becomes 'united', but by no means integrated in naive functionalist mode. Globalization as a topic is a conceptual entry to the problem of 'world order' in the most general sense, a phenomenon which clearly requires a interdisciplinary treatment. It is clear that even something as the global-local nexus was thematized as long ago as the second century BC when Polybius in his *Universal History* wrote about the rise of the Roman empire. The discussion on globalisation is not new, because -as many studies have diagnosed - globalisation is not new, but we must limit the analysis to the relatively recent past.

³ The popular diffusion and the conflicting use of the concept 'globalization' is, according to Rosenau (1997:360) not so much a reflection of evasive confusion, as they are an early stage in a profound ontological shift, a restless search for new ways of understanding unfamiliar phenomena.

⁴ Since they are disclosed in several masterful studies, it should be a waste of the limited space I have at my disposal to simply ruminate these relevant findings.

⁵ E.g. the remark "Globalization is a reality not a choice. 'You can run but you can't hide' might serve as a mantra for the age." (Haass and Litan 1998:6)

⁶ Marked by coverage in mass-media. A typical example of that kind of spectacular, shocking and pessimistic thinking is an article in the German magazine *Stern* (1996) on globalisation: 'Ein STERN-Report über die unberechenbaren Folgen der Globalisierung'. The large headlines decorating several pages of the article were very explicit and legitimized by the fact that they were quotations from opinion-leaders are telling: 'Kein job is mehr sicher. Irgend jemand, irgendwo auf dieser Welt kann eure Arbeitsplätze kaputtmachen' (Rosabeth Moss Kanter, Ökonomieprofessor) 'Es wird bald keine nationalen Produkte, Unternehmen und Industrien mehr geben. Es ist das Ende der Volkswirtschaften' (Robert Reich), 'Wir laufen auf eine Kapitalismus ohne Arbeit zu (Ulrich Bech, socioloog), 'Wir sind schlanker, aber auch gemeiner geworden' (New York Times) and 'Der Hammer des Globalismus schlägt auf die zurück, die ihn erfunden haben; auf ihren Reichtum, ihren Sozialstaat' (Wilhelm Hankel, economist). Auch bei uns wird es Slums geben. In: *Stern*, July 18th 1996, pp.22-32

⁷ Which can be labelled - with a serious amount of relativization and nuance - as a neo-corporatist system or the continental Rhenish model (model Rhénal), based on the principles of the Fordist regulation. More information on the difference between the Rhenish and the neo-American model is to be found in the first-rate book of Michel Albert (1991).

⁸ The 'twin forces of regionalism and globalisation' (Dent 1996).

⁹ It is not possible here, neither is it my intention, to refute nor to examine this convention which has, by definition, its opponents. The figures on trade and foreign investment are well known to most professionals and it is needless to repeat them. On the basis of these data, Wyatt-Walter concludes that flows of FDI have enhanced inter-regional more than intra-regional linkages in the world economy, which is somewhat at odds with the regionalization hypothesis. After all, as so much recent management-studies literature has suggested, companies competing in global markets were increasingly likely to establish a local presence in the three main markets of the 'triad' during the 1980s.

¹⁰ Of all companies, MNO are the ones of which one can expect to be the most global minded and active, MNO are perceived to be the global players par excellence as if they reach the maximum degree of globalisation possible for an individual enterprise. Therefore, it is interesting to know how global these players really are.

¹¹ In their article, Keller and Pauly indicate that, in contrast to common perception, intensifying cutthroat competition makes enduring national differences in the rules of the game more obvious, not less.

¹² The global character of MNO was examined thoroughly in the fascinating study of Ruigrok and van Tulder (1995), in which they draw a full and critical picture on the global aspect of MNO.

¹³ Which refers to 1) the contested restructuring of the institutional level from the national scale both upwards to supra-national and/or global scales and downwards to the scale of the individual body, the local, the urban or regional configurations and 2) the strategies of global localisation of key forms of industrial, service and finance capital.

¹⁴ It is rather striking, and yet we are used to it, that many authors write about economic competition in terms of warfare. As if competition was something like a battle between enemys, as if one must respond to acts of the adversary with 'massive retaliation', as if each territory (on the world market) captured by one region was

necessarily at the expense of an other region and must therefore be avoided, as if weakening the others strengthens the own position.

¹⁵ In the words of President Clinton, each nation is like a big corporation, competing in the global marketplace, a view that became pervasive among opinion leaders throughout the world. If regions share a part of location-decisive regulation, one can replace 'nation' by 'region'.

¹⁶ According to popular belief, these costs (of production) are a very - probably the most - decisive factor in the consideration investors make before locating an economic activity in that area. It is believed that entrepreneurs select a production-site mainly on the basis of the cost of production. Since labour is relatively immobile, thus location-specific, and other factors (such as technology and capital) are available worldwide, it is believed that the price of labour will be decisive for the decision on the location of economic activities.

¹⁷ In the words of Swyngedouw, "it remains deeply disturbing to find the power of money and a homogenizing imperialist culture take control of ever larger scales, while very often the 'politics of resistance' seem to revel in some sort of 'militant particularism' in which local loyalties, identity politics and celebrating the unique self from the different Others attest to the impotence to embrace an emancipatory and empowering politics of scale." Swyngedouw (1996:21)

¹⁸ Of course, regions are strictly speaking not what we usually mean when we use the word states - for the time being this denomination seems to be the privilege of the national scale - and it would give evidence of an excessive abstraction to do so. I only intend that (several) regions assumed some competences typically for 'states' (e.g. legislation, representation, taxation, etc.) and can therefore be understood as 'statelike actors', especially in the context of factors exerting influence on production costs.

¹⁹ In short, these strategies come down to states wishing to join together in large regional blocs, adopt the 'developmental state model', embrace the 'social democratic' mode of selective integration into the world economy, seek to dominate their regional economy or even the world economy to achieve hegemony. Poorer and weaker states are likely to opt for one of the following strategies: try to exploit their cheap and abundant labour to attract foreign capital, seek to exploit a parasitical niche in the world market such as tax havens or they may be structurally impeded from joining the competitive game at all (which is hardly an 'option').

²⁰ The competition state is an 'ideal-type' description of activities of the state based upon four essential assumptions: that governments are concerned primarily with economic growth and that they are willing and likely to undertake measures to improve the standard of living and growth in their territories; that the place, ownership and type of production facilities are a matter of profound concern for political authorities, that multinational enterprises seek global presence, possible by enhanced mobility; and that the source of economic growth lies in encouraging economic actors to invest.

²¹ According to Palan, Abbott, and Deans (1996), this state is based on the fusing of 'public' and 'private', the role of state ideology, the use of developmental legitimacy, plan rationality and the existence of a relatively autonomous economic technocracy.

²² Strange pointed out the issue of the growing importance of 'firm-firm' and 'state-firm' diplomacy, next to the classic 'state-state' diplomacy.

²³ Some of which are explicitly the competence of the regional 'competition state'.

²⁴ Indeed an elusive and vague concept, since there is little agreement about the nature of Fordism and post/neo-Fordism in general or the trajectories which might link them.

²⁵ Jessop sees four changes that created pressures for the development of this new state form: the rise of new technologies, growing internationalisation, the paradigm shift from Fordism to post-Fordism and the regionalisation of global and national economies. Given the growing competitive pressures from N.I.C.'s on low-cost, low-tech production and in simple high-tech products, the advanced capitalist economies must move up the technological hierarchy and specialise in the new core technologies if they are to maintain employment and growth. Hence, the importance of R&D, education, skills and knowledge, infrastructure, personal stimulation and career-building, ... for which state action is required. States must shift industrial support away from efforts to maintain declining sectors and towards promoting new sectors.

²⁶ The wage relation should be recomposed with a polarisation between skilled and unskilled workers, there would be a greater emphasis on (functional, numerical) flexibility in internal and external labour markets, a shift would occur towards enterprise- or plant-level collective bargaining (down scaling), ... in short the enterprise system could see a shift towards flatter, leaner and more flexible forms of organisation.

²⁷ In other words, the end of Keynes and his demand-side policy, of full employment and deficit spending, of redistributive welfare rights ... A symbolic illustration was the failure of Mitterand's first term as president, a clear support for those claiming the impossibility of Keynes and Ford in recent history.

²⁸ Down scaling of social regulation, towards the individual: workfare. Several authors indicate the revaluation of personal contribution in and thus responsibility for failure and success, the demassification, individualization of solidarity. This is what workfare is about: the evolution from compensation towards activation in order to prevent a 'culture of dependency' (Murray 1984). An important stimulation for the intellectual and political debate in Europe was the publication of Pierre Rosanvallon's *'La nouvelle question sociale. Repenser l'Etat-providence'* (1995). The 'transition from passive measures to active measures' is well illustrated by the conclusions of the European Council of november 20-21, 1997, held in Luxemburg: "benefit and training systems (where that proves necessary) must be reviewed and adapted to ensure that they actively support employability and provide real incentives for the unemployed to seek and take up work or training opportunities. Each Member State will endeavour to increase significantly the number of persons benefitting from active measures to improve their employability." (Conclusions of the presidency, 1997: 53-54).

²⁹ The class compromise, supporting the KWS, reflected the belief that Fordist mass production was supply-driven and could only be profitable when high levels of demand were maintained. Since globalisation, some believe that the world is the market and that the success of national business world is no longer dependent on the national demand.

³⁰ In their working paper, Slaughter and Swagel do leave some room for globalisation to play a role: "on the other hand, increased globalization can exacerbate the effect of preexisting economic problems, such as the phenomenon in which the combination of wage rigidity and capital mobility in Europe magnifies the impact of external shocks on unemployment." (p.25)

³¹ Interview with Dani Rodrik. In: Challenge (1998: 83). Singh and Zammit (1995:103) go even further since they write that in view of the complexity of the subject, there is no agreement in the literature on the appropriate theoretical or empirical models for analysing the impact of Third World competition on manufacturing output and employment in the North.

³² A fear which several surveys illustrate daily. In these opinion polls, people give evidence of the fact that they are apprehensive for the future, or at least afraid of competition with low wage countries (social dumping) causing unemployment or decrease of wages.

³³ E.g., the total movement of capital to newly industrializing countries in 1993 was roughly \$100 billion which means that less 2.5 percent of the investment of the First World actually flowed south

³⁴ Which makes it at least defensible to suggest a trend towards higher interdependence or globalisation.

³⁵ So, there is a considerable variation. The difference between the highest and lowest cost regions is some 4 or 5 to 1. In between these extremes, most regions in Italy, France, the Netherlands and Belgium, as well as Luxembourg, have hourly labour costs between 15 and 20 ECU, while in Ireland, the UK, Spain and the former East Germany, costs are, in most cases, between 10 and 15 ECU an hour. But, more importantly, these interregional differences reflect, in some degree, variations in the structure of industrial activity as between regions, the low cost areas tending to have a larger share of employment in more basic industries than the higher cost ones. These variations will tend, in turn, to be reflected in labour productivity.

³⁶ In which relocation is clearly based on the mechanism of social dumping.

³⁷ An extensive study of the Belgian *Planbureau* on the 'delocation of companies', made clear that in the case of a collective company shut-down (and a reopening in a new, foreign location), the majority of these companies moved to neighbouring countries. Other methods of approach, e.g. the analysis of the pattern of outsourcing and contracting-out, confirmed this conclusion. This study had a great part in demystifying the subject since it explained that only a small part of delocation of Belgian enterprises towards foreign production sites had to do with considerations on the (in)direct wages and social regulation as elements of the production costs. In most cases, other reflections were dominant. (Planbureau, Bernard, Van Sebreeck, Spinnewyn, Gilot and Vandenhove 1994)

³⁸ The concept 'globalisation' is not suitable as a descriptive category, its contribution lies somewhere else.

³⁹ This title refers to Gaus (1979).

⁴⁰ Furthermore, according to Ross and Trachte (1990), the registration of FDI, trade, etc. does not even capture comprehensively the relocation of manufacturing to the periphery by core capital.

⁴¹ We all acknowledge that 'yesterday' manifests itself 'today', but accepting the statement that 'tomorrow', a vague and uncertain expectation, does the same seems more problematic.

⁴² And that is what it is all about in social science: the explanation of behaviour, not the consideration if people do live in conformance with the scientific wisdom.

⁴³ As a result, more often than not, people do what is expected of them.

⁴⁴ In most cases deprived of a critical reflection and engaged in unconscious 'group think'. And in the era of 'pensée unique', the majority of leaders and mass seem to share the same thoughts and ideals.

⁴⁵ It indicates that the subject's view of his situation, how he regards it, may be the most important element of interpretation since his immediate behaviour is closely related to that definition, which may be in terms of objective reality or in terms of subjective appreciation. Only close attention to the subjective ways in which human beings filter the crude data of their senses and construct 'facts', only sustained concern with the mediating functions of the human mind can help to explain the fact that different individuals, confronted with an identical stimulus, react to it in utterly different ways.

⁴⁶ Because this is the common perception and conventional wisdom proclaimed by opinion leaders (such as members of government and parliament, scientists, political parties, news papers, union leaders, CEO's) in that society.

⁴⁷ E.g., the king has power, even when he sleeps.

⁴⁸ However, for this anticipatory reaction to take place, they must know or believe that someone actually possesses the relevant resources and that there is a reasonable probability of his using them to wield power should their own (in)actions fail to accord with what they take to be his wishes. By the way, Wrong prefers the term 'latent' rather than 'potential' to indicate the double sense of power as a dispositional concept because 'latent' suggests the covert presence of something *actually* affecting a situation in contrast to the weaker implication of 'potential' that something *may* assert its presence under purely hypothetical or counter-factual conditions.

⁴⁹ So the consciousness of the power subject is a crucial consideration in imputations of power on the basis of anticipated reactions.

⁵⁰ Which are, of course, not to be underestimated and which are well documented

⁵¹ One can ask if the nation state ever reached a full sovereignty over its territory.

⁵² Indeed, there are a lot of resemblances with previous periods, e.g. pre-1913 period, but recurrence is not the same as blind reproduction. Although processes can be driven by the same logic, law, principle or whatever, they can have very different consequences in a different spatial-temporal locus.

⁵³ Not only in the sense of regionalism, nationalism, devolution (structure) and so on, but also referring to the functions (role) of the state and its place (position) in contemporary society. Introducing concepts as 'non-state actors' will be insufficient, since it implies that states are dominant and other actors are secondary (Willetts 1997).

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