

The Nation State in the Era of Globalization: Some Challenges

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In an attempt to explore and problematize the linkage between complex issues and themes about globalization and the power of the state, the precise aim of this paper will be to show that one of the necessities of globalization, in its current form, is to deconstruct the power and autonomy of the state. It is quite obvious that the notion of the relative autonomy of the state has declined significantly. This is not because the state has suddenly become more pluralist and inclusive of racialized ethnic groups, women, gays and lesbians, and immigrants in the arenas of institutionalized power. The state is increasingly less autonomous from the interest of capital. The interests of the state and multinational corporations appear to be synonymous. The passing of the Canada-United States Agreement (CUFTA), the North American Free Trade Agreement (NAFTA), the development of trading blocs, the rolling back of the redistributive welfare states indicate the hegemony of business interests within the political arena. Hence, capital has not only framed the state's agenda, but it appears to have exerted significant influence on the power of the state. This paper draws, especially, from illustrations that present themselves in the United States and Canada.

The liberal-pluralist and Marxist theories are the two main traditions within liberal political thought that have informed the theory of the state. Both traditions share a common concern as to the relationship between capital and the state. As such, the state's action is explained in terms of state-society interaction. As Timothy Mitchell points out: "The state should not be taken as a free standing entity, whether an agent, instrument, organization or structure, located apart from and opposed to another entity called society." (1991: 95). Society, today, is more complex and diverse. Consequently, how this interaction is conceptualized has significant bearing on understanding how the state is structured and the capacity for participation in collective decision making within liberal democratic structures. In contemporary setting, I think that the theory of the state cannot be discussed separately from the globalization process. Linda Weiss makes clear that "globalization and state power are not locked in a negative-sum relationship whereby the advance of the former can only occur in the expense of the latter." (2000: 13). If Weiss is correct, is globalization impacting the North American states and their governmental institutions? Is state autonomy possible?

Lately, many radical scholars simply drifted away from state theory, because of, to borrow Leo Panitch essay's title, "the impoverishment of state theory" (2002) and the decline in "the popularity of state theory." (Aronowitz and Bratsis, 2002: xiii).¹ Nonetheless, in order to fully deconstruct globalization's impact on the capitalist state, a theory of the state must be articulated and elaborated because the state remains the foundation for the extension of capitalism. The aim of this paper is to show the impact of globalization on the nation state by examining globalization within the framework of the theory of the state, which rests on the premise that the state is a capitalist state. I will show that one of the necessities of globalization in its current form is to deconstruct the power and autonomy of the state. In fact, the state cannot be viewed as an instrument for promoting the common interest of the dominant class. Instead, the state protects and sanctions a set of institutions and social relationships necessary for the domination of capital.

At the core of this analysis is that the state and capital are not distinct categories of global capitalism, but are linked to guarantee the hegemonic position of business interests within the political arena. The concerns of capital for cheap labor must be actively articulated; and the role of the state, therefore, is to remove any hindrances that threaten the flow of capital and its access to cheap labor. In fact, it is dangerous, I am afraid, to argue that globalization is getting rid of nation states. As is the case of the United States and Canada, what we are witnessing instead is an internal repositioning of power within the state apparatus, which indicates business's hegemonic position within the political arena. While the theory of the state was important and still has some bearing, given the new facts about capital, which create some constraints on the state, in this paper, I will attempt to reformulate a theory of the state by transcending the 1970s Marxists thought (Ralph Miliband (1969),

Gianfranco Poggi (1978), Claus Offe (1984), and Nicos Poulantzas (1978), where the state retains a position of relative autonomy. Habibul Haque Khondker draws our attention to the various models of states that are perceived as autonomous. (2008: 39)² In fact, relative autonomy of the state differs from state autonomy. In terms of the latter, the American state, for example, is able to pursue goals in spite of the demands from fledging interest groups. Relative autonomy of the state, on the other hand, to infer from Poulantzas's *Political Power and Social Classes*, is the notion that the state is autonomous from the capitalist class and from the interests of particular fractions of capital. Nonetheless, the state best serves the interests of the capitalist class, especially when the members of this class are not directly involved in the state apparatus. In fact, I will conclude that the notion of relative autonomy of the state has declined significantly. This is not because the state has suddenly become more pluralist and inclusive of racialized ethnic groups, women, gays and lesbians, the disabled, and immigrants in the arenas of institutionalized power.

The state is increasingly less autonomous from the interest of capital. The interests of the state and multinational corporations appear to be synonymous. The passing of the Canada-United States Free Trade Agreement (CUFTA) and the North American Free Trade Agreement (NAFTA), the Dominican Republic Central America Free Trade Agreement (DR-CAFTA), and the rolling back of the redistributive welfare state have indicated the hegemony of business interests within the political arena.³ Hence, capital has not only framed the state's agenda, but it appears to have exerted significant influence on the power of the state. The systemic privilege achieved by capital is buttressed and reinforced by the internationalization of capital which has not altered the capacity of multinationals to determine the actions of the American state. Inputs into the production process, except for unskilled labor, (especially when labor and their relations to production are complicated by individual as well as collective cleavages such as region, gender, ethnicity, and the political/religious), technology, capital, and finished goods demonstrate that global capital requires an environment, which does not hinder the easy access of multinationals to new markets.

Labor in the "Third World" countries has been targeted for this process. The concept of the "Third World" no longer has a clear meaning. Some of the countries once considered as belonging to the "Third World" have either found some niche as producers of manufactured products, or have been relegated to the "Fourth World" or what the United Nations (UN) has referred to as "least developed" because of their "weak growth in the productive sectors, poor export performance, deterioration in social conditions, increasing decay in institutional capacity," (Cheru, 1997:146) and their huge indebtedness to the International Monetary Fund (IMF) and the World Bank. Of the forty-seven countries, which have been classified by the UN as least developed, including Guyana, Haiti, Somalia, Rwanda and about thirty-two nations in sub-Saharan African, Zambia, Zaire, and Madagascar were added to the list in 1992." (ibid.) It is precisely for the reason that domestic labor in the United States has to be tethered to the international division of labor.

In the United States, the reforming of the welfare states and implementation of "workfare" are illustrative. Workfare means one thing: In order for welfare recipients to collect their welfare check, mandatory work requirement is imposed. In this sense, workfare provides cheap labor for capital production. Eric Shragge's summation that "workfare represents a departure from the post-war welfare state, and it is leading us in the direction of a punitive system in which welfare will no longer be a right, but instead will become contingent on a type of work that is 'paid' at a rate far below the social norms" (1997: 12) is not without warning. In the following section, I examine specific characteristics of globalization in an effort to show, in part, the impact of globalization on the nation state.

Specific Characteristics of Globalization

Globalization is not entirely "new" since the world has already experienced previous wave of internationalization. However, it was described in the early 1980s as the development of global markets for standardized products. Many multinationals were beginning to view the world as a single market for products in which they specialized, thereby achieving distribution. From the beginning of the 1990s, globalization involves many factors. Some of these factors include the restructuring of the welfare state, the internationalization of the state, the new international division of labor, and a global migration from South to North. The globalization process has been accelerated by the development of global communications networks, financial services, transportation, and the global linkage of financial markets.

As such, globalization is defined as the freedom of multinationals to take advantage of the expansion of economic activities across political boundaries of nation states “in search of competitive advantage.” (Barrow, 2005: 136). In this sense, what is occurring in all nations, as Karl Marx and Friedrich Engels in the revolutions of 1848 have predicted with unsurpassed clarity in the *Communist Manifesto*, is an “institutional innovation of capitalism.” Harking back to Marx and Engels’ revelation, they correctly pointed out that “the bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most [underdeveloped] nations into civilization....It compels all nations, on pain of extinction, to adopt the bourgeois mode of production.” (Marx and Engels, 1964:64-65). If nations are immune to globalization’s impact, then globalization cannot be analyzed as a process sustaining capitalism. The first stage of globalization is a multifaceted process, which is changing the functions of the state and its capacity to enhance policy effectiveness that benefits the poor. According to Clyde W. Barrow, “it is this transition to a new form of capitalist state that many scholars have incorrectly identified as a decline of the nation-state.” (2005: 125).

In examining the major development of globalization, Ramesh Mishra points to the “relative decline of the nation state” which has “important implications for the welfare state.” (1998: 481). In reconfiguring the role of the state, I want to point out that the state is not declining in significance. However, it has lost its legitimacy because a capitalist state that openly uses its coercive forces to ensure that the dominant class accumulates capital at the expense of the masses undermines the basis of its loyalty and support. The restructuring of welfare benefits in industrialized countries where the poor are reduced to, borrow the words of Giorgio Agamben, “bare life,” and marred by Orlando Patterson’s description of social death are illustrative. Death, in this sense, has both literal and symbolic meanings. That the poor is dying because they cannot afford health care in the United States, for instance, is not to be discarded.⁴ “The significance of poverty,” writes J. Donald Moon, “is not just the suffering it involves, though that is obviously important, but the fact that it represents an undeserved exile from society.” (1988: 29). Workfare is supposed to address poverty because poverty, for the mainstream policy makers, is associated with welfare dependency. Workfare would then achieve “the simultaneous objectives of directing reform efforts in a regressive direction (against welfare), rendering tractable the immediate policy objective (dismantling welfare), and creating the space for an alternative model (building workfare).” (Peck, 201: 219) With the implementation of workfare, welfare recipients are forced into the low-wage labor market, which does not alleviate poverty.

The role of trade liberalization schemes and the formation of trading blocs including North American, European, and Asian blocs have been crucial in accelerating globalization. Tom Conley draws our attention to the broader significance of this unrelenting process. “States,” he argues, “especially in the developed world, have actively supported the globalisation process and its progress remains substantially dependent on continuing state support.” (2002: 466). However, this does not mean that capital has managed to get away from the state’s grip by becoming global in its scope. In fact, the state is not autonomous from capital. In contemporary setting, it is quite obvious that notions of the relative autonomy of the state are declining in significance. The state is becoming increasingly less autonomous from the interest of capital. The interests of the state and multinational corporations appear to have become synonymous. The passing of the Canada-United States Agreement (CUFTA), the North American Free Trade Agreement (NAFTA), and the cutbacks in unemployment provisions indicate that the hegemony of business interests is becoming undeniable. Capital has not only framed the state’s agenda, but it appears to have exerted significant influence over the range of possible outputs. The systemic privilege achieved by capital is supported and reinforced by the internationalization of capital. David Langille points out that:

The internationalization of capital has already altered the capacity of capital to determine the actions and outputs of the states. The process of concentration, centralization and continentalization have reached the point where the state is dependent on a capitalist class which has little respect for national boundaries that threaten the flow of capital or hinder their access to new markets (1993:43).

In this respect, the development of international capital becomes a normative mechanism to be used by capital to achieve policy objectives. Business actively utilizes its hegemonic position, and what is common, as a market actor it wields important decision-making authority. Its position is thus different from the position of all other participants in the global economy, in terms of privilege. As such, in order to reinforce and perpetuate business’s systemic advantage, the concerns of capital’s restrictions must be actively articulated.

Mechanisms for the effective articulation of its hegemonic position were developed and materialized throughout the free trade agreements such as CUFTA, NAFTA, and more recently DR-CAFTA. Before CUFTA was implemented, unions and women's group, in Canada, for example, publicly denounced CUFTA. Union felt that free trade with the United States would promote, what Donatella Della Porta refers to, "the de-localisation of production processes," (2005: 670) which would cost many Canadian jobs. Most of the industries located in Canada would simply move to the low-wage states in the United States and Mexico because they would have access to both markets. Women's group argued, for the right reasons, that a disproportionate number of women would lose their jobs because a large percentage of those employed in key sectors in manufacturing, which are trade sensitive such as the textile and clothing industries are women. Although unions and women's group opposed the free trade deal, CUFTA was negotiated by the Mulroney government in 1987. Notwithstanding the detrimental impact of CUFTA on labor, a few years later, in 1994, NAFTA was implemented. In this respect, the liberal-pluralist view which argues that the nature of policy making involves shifting alliances and innumerable compromises, making it not possible for no single group to dominate policy making even if it has many political resources, is flawed.

Governments are committed to market-based and trade centered policy which entails the rolling back of "excessive" state intervention in the economy so that business interests can be maintained. In fact, the government has to find a way to reconstruct not the "old" state but a "new" state that dedicates itself clearly, seriously, and ethically to questions of political equality, the preservation of the laws, and the safeguarding of its borders from terrorists. These are basically the responsibilities of the state. Moreover, it is to perform these functions with clarity and responsibility.⁵ Thus, the state cannot be viewed as an instrument for promoting the common interest of the dominant class. Instead, the state protects and sanctions a set of institutions and social relationships necessary for the domination of the dominant class. As such, Claus Offe recognizes that "the state is neither a 'servant' nor an 'instrument' of any one class. While it does not defend the specific interests of a single class, the state nevertheless seeks to implement and guarantee the collective interests of all members of a class society dominated by capital." (1982:120).

According to the theory of the state, the state is linked to the development and reproduction of capital. As such, globalization is authorized by states, and its main emphasis is the reorganization of the state, so that capital can take advantage of the global market. The International Monetary Fund (IMF) and the World Bank help in the restructuring of states to take advantage of globalization. The IMF and the World Bank are available for states in transitional societies to borrow money under the condition that their economies integrate into the world economy. In addition, the latest round of General Agreement on Tariffs negotiations concluded at the end of 1993 gave birth to the New World Trade Organization, at work since January 1995. Indeed, the WTO, in many ways, symbolizes the highly important role of globalization in promoting the accumulation of capital on a global scale. Global capitalism is domestically organized and is reliant on the state for the implementation of policies that promote business agenda.

The Role of the Nation State

Ralph Miliband in his book, The Role of the State in a Capitalist Society, points out that in a capitalist society, "the state is above all the coercive instrument of a ruling class, itself defined in terms of its ownership and control of the means of production." (1984:7) Therefore, in order to enable the capitalist class to accumulate wealth, the state had the task of removing the existing obstruction that interferes with economic freedom. A second function of the state was to establish the conditions for the exchange of commodities in the market. The state's third function was to ensure that money performs its function as a medium of exchange and a store of value. The fourth function was the specialization of functions and centralization of state power, and finally, the state's function was to mobilize capital (Cox 1987: 130-131). With the end of the Cold War and the collapse of the Soviet Empire, the world has become unipolar without having a hegemon that can impose its control (Callaghy, 1993:179). As such, a new form of Post-Cold War politics is emerging, at a moment when global market integration is extending. One can argue that a new world order has emerged, which must be theorized within the current resurgence of a reinvigorated nation state. According to Leo Panitch, "this new order entails a transformation, not a diminution of the state — a reorganization of the state's structure and role in its external and internal aspects" (1997:90) so that global capital can be maintained. A concrete example is that the interstate agreements at Bretton Woods, Pax Americana are held in place by a configuration of different forms of state.

The common feature of each state is the role each of them plays in adjusting national economic policies to the dynamics of the world economy. These agreements are held in place by the IMF and the World Bank who act like the “economic policemen.” (Panitch, 1997:90) The IMF and World Bank, the defacto tools of global governance, continue their surveillance, incentives, and sanctions to make sure that the national economies are integrated into the global market. The former imposes upon Mexico that it restructures its economy towards export-oriented in response to global integration (Nash and Kovic, 1997:166). The latter expected that in Latin America some overall improvement in economic growth from 1.7% in the 1980s to 3.8% by the end of the 1990s (Callaghy, 1993:183). Also, many poor nations have adopted the Foreign Direct Investment Plan (FDIP) initiated by the World Bank which gives generous fiscal incentives to lure multinational corporations into their countries so that these corporations can exploit cheap labor and take advantage of their natural resources. In this regards, the global process whereby national policies and practices have been adjusted to the exigencies of the global economy has not created a diminishing of the state, but the internationalization of the state (Cox, 1987:254). Cox explains the meaning of the internationalization of the state:

First, there is a process of interstate consensus formation regarding the needs or requirements of the world economy that takes place within a common ideological framework (i.e., common criteria of interpretation of economic events and common goals anchored in the idea of an open world economy). Second, participation in this consensus formation is hierarchically structured. Third, the internal structures of states are adjusted so that each can best transform the global consensus into national policy and practice, taking account of the specific kinds of obstacles likely to arise in countries occupying the different hierarchically arranged positions in the world economy. (1987:254)

In this sense, global capitalism has not escaped the state. Leo Panitch adds to this point. He acknowledges that far from global capitalism escaping the state what “we see are active states and highly politicized sets of capitalist classes working to secure the new constitutionalism for disciplining neo-liberalism” (1997:85) by expanding its dependency on the state (Panitch, 2003: 17). North America Free Trade Agree, which came into effect on January 1, 1994, is a form of the new constitutionalism for disciplining neo-liberalism.⁶ According to Panitch,

Mexican state was not only acting in terms of the interests of its domestic bourgeoisie, nor was it just concerned with providing further security guaranties to U.S. capital in Mexico. It was also in Poulantzas’s terms, taking responsibility for the interests of the dominant capital by endorsing NAFTA as an exemplary staging post” for a renewed U.S. imperialism throughout Latin America and as a model for a similar constitutionalizing of neoliberalism on a global scale (1997:98).

Along with the new constitutionalism, as Michael Hardt and Antonio Negre suggest, “emerged a global order, a new logic and structure of rule—in short, a new form of sovereignty,” which is a global state “that governs the world.” (2000: xi). However, as Ellen Meiksins Wood makes clear, “global capitalism is nationally organized and irreducibly dependent on national states.” (2003: 141). The state must intervene by creating laws that would provide a wide range of political and material conditions so that capitalism can be maintained on a global scale.⁷ Panitch recognizes the nation state as defining and guaranteeing the national and global rights of capital through international treaties, which have constitutional effect (1997: 64). The role of the state has been conceived as a buffer protecting the national economy from disruptive external forces such as high unemployment. However, since, the beginning of the 1980s, labor has been losing much of the security and welfare that the post-War Keynesian policy guaranteed. The state’s priority was domestic welfare.

With the emergence of globalization, the state’s priority has shifted to one of adapting domestic economies to the world economy (Cox, 1991: 336). In other words, in the face of such free trade agreements such as the Canada-United States Free Trade Agreement (CUFTA), the North American Free Trade Agreement (NAFTA), and more recently the Dominican Republic Free Trade Agreement (DR-CUFTA), there is a need for an abundance of flexible, exploitable, cheap labor that is readily available. Thus, national labor has to be tethered to the international division of labor. What we are seeing is the redefining of the role of trade unions to meet the needs of capital for cheap labor. Labor unions in western democracies are most of the time not being able to guarantee workers their rights because, in the words of Charles Tilly, “the state is unable to disciple capital.” (Tilly, 1995:13) Labor’s role within capitalism has always been subordinate. Kenneth Erickson in his study on the history of Brazilian labor recognizes that a corporatist state molds and controls labor to suit its requirement (Erickson, 1977). Labor did receive some benefits from capital.

The benefits that labor has received from the state cannot be attributed to overt politicization of its innovative economic struggles. Rather, the state has recognized that labor's resistance to capital could significantly block or retard capital's progress in its exploitation of labor power. Hence, trade unionism has been used as a vehicle to maintain the dominant position of capital by establishing collective bargaining legislation to protect the rights of workers as active social agents within the capitalist system (Panitch and Swartz, 1988: 34). As symptomatic of global capitalism, since the beginning of the 1980, labor has been losing much of the security that the Post-War Keynesian policy guarantees. Many scholars have documented the vital role of labor adjustment to the new world order.⁸ In this era of globalization, the role of labor has now been reversed. Labor now has the task to maintain capitalism as a viable economic system by going along with capital's demand for the restriction or suspension of worker's rights (Tilly, 1995).

The mobility of capital, like the new technologies, threatens to redefine the employment contract between management and workers. According to Gregory Albo, this is the new realism that trade unions face in western democracies (Albo, 1990: 497). Albo's informative and engagement with labor rights in Canada, argues that the Supreme Court of Canada has given "the new realism" judicial sanction to proceed. He notes that the judicial understanding of the Charter of Rights has pursued the customs of liberal democracy. For this reason, individual and property rights have been given priority over collective rights (1990:495). In 1987, a trilogy of rulings on various legal restrictions on unions was based on the 6-and-5 program.⁹ What this points to is the state's role in undermining the role of union. And, along with limiting the power of union, it has encouraged labor protest. It was certainly the case with the protest in Seattle in 1999 against the World Trade Organization (WTO).

Globalization and the Welfare State

In advanced capitalist countries, the welfare states are experiencing increasing fiscal constraints. Governments are forced to confront slow economic growth, high unemployment, and trade imbalances. As a result, this new economic conjuncture has created not only a national "crisis" but a global "crisis" as well. In Offe's sense of the word crisis, crisis is "a process in which the structure of the system is called into question."¹⁰ (1984: 36). In many industrialized countries, the crisis has manifested itself in terms of huge budget deficits and high unemployment. The continuing economic and political pressures have led governments to develop new policies that would cope with the crisis of the welfare state. The critics of government social programs, especially in Canada and the United States, maintain that a large part of their current budget deficit can be accounted for by the excessive growth of expenditures on social programs. Daniel Bell, The Cultural Contradictions of Capitalism, puts forward the notion that governments have become overloaded in terms of their administrative ability to cope with the growing array of programs they have introduced. Secondly, the fiscal resources to finance the growing level of public expenditures are no longer available (Bell, 1976). Also, the "lack of governability" argument has been echoed by the Trilateral Commission¹¹ (Crozier et al., 1975).

The huge deficit can be partly blamed on the hubris of the re-distributive state. Western democracies, it seemed, tried to do too much for too many, which the Trilateral Commission referred to as "the democratic surge." As such, many of these countries were unable to afford the continued expansion of the state in the provision of social welfare for its citizens, which, in the words of the Commission, resulted in "the democratic distemper" (ibid. 102-108), leading to a lack of governability. One of the results of ungovernability is, what Bob Jessop calls, the "hollowing out or erosion of the Keynesian welfare state which has resulted into a Schumpeterian workfare state" (1993:10) in North America. In the United States in 1996, the Personal Responsibility Work Opportunity Reconciliation Act was implemented; in Ontario, Canada, in the 1997, the Ontario Works was implemented. Lately, in the Nordic countries, there is an emphasis on the introduction of "work for welfare."

In September 2008, there was a conference sponsored by Nordwel and Stein Rokkan Center for Social Studies titled "Workfare Policies and Welfare State Legitimacy" at the University of Bergen, Norway, which examined the impact of workfare on the Nordic states. The workfare state compels welfare recipients to participate in the labor force, and the associated reliance on entitlements based on workers' contributions rather than general welfare, even for single mothers with young children. In fact, the work of caring for young children outside the home has become the norm. In this sense, the more usual meaning of the workfare state is the reorganization of the state's role in promoting social reproduction within a neo-liberal model of welfare restructuring.¹² The neo-liberal model is concerned with the provision of welfare on a market basis, and a commitment to less than minimum wage and safety standards at work for welfare recipients.

For this reason, workfare cannot be compared with welfare reform programs of the past in the United States and present welfare reform programs in some provinces in Canada. In the words of Adolph Reed Jr.: “neoliberals are not necessarily concerned with directing public policy to inculcate virtue.” Moreover, they are unlikely to be libertarian on social issues which in their minds have no direct contribution to deficit reduction (Reed, 1999:3) and providing capitalists with cheap labor. The workfare state is compatible with globalization because global capital has to be maintained. The role of the state is to maintain capitalism as a viable economic system by adhering to capital’s demands for low-skilled, low-wage workers. In this sense, one of the main features of the workfare state is a growing supply of flexible, low-paying jobs in the service-producing industries. In the United States, half of the jobs in the top 10 occupations that will create the largest number of new jobs until 2008 were in the low-wage service sector. These jobs include retail salespersons, cashiers, truck drivers, office clerks, personal care, and home health aides. These occupations when combined were projected to provide 16.5 million jobs by 2008 (Pinder, 2007). As such, these jobs must be filled. While women were the reserve army for capital to draw upon, the reserve army has now extended itself to include welfare recipients and immigrants both legal and illegal.

Moreover governments have reduced welfare benefits and compelled welfare recipients to work for less than minimum wage, so that a large supply of labor can be readily available. Dharam Ghai, Director of the United Nations Research Institute for Social Development (UNRISD), acknowledges that competition for capital and markets increases pressure on governments that want to adopt a reduction in the cost of social benefits, weakens labor standards, and utilizes a low wage strategy (Esping-Anderson, 1994:1).¹³ Globalization is not getting rid of nation states. The state has lost its legitimacy, in the sense that a capitalist state that openly uses its coercive forces to ensure that the dominant class accumulates capital at the expense of the masses undermines the basis of its loyalty and support. In other words, the state must try to create the conditions in which capitalists accumulate capital by making a profit, and at the same time ensuring that social harmony is maintained among capitalists and workers. Programs and services are required to maintain social harmony so that the legitimization function of the state can be fulfilled. Unemployment insurance, welfare benefits, and income subsidy to the poor, which are inherent features of capitalist development, were designed to create harmony amongst the unemployed.

The former reproduces the work force and the latter controls the reserve army of labor for capital accumulation.¹⁴ A capitalist state has to adhere to an accumulation and a legitimization function, even though these two functions are contradictory.¹⁵ The state’s function of legitimization is no longer a pressing issue. The government no longer protects its citizens from the ravages of economic hardships and poverty. Within the framework of global capitalism, one of the roles of the state is to maintain capitalism as a viable economic system by acquiescing to capital’s demand for freedom to move beyond national borders, suspend workers collective bargaining rights, and force welfare recipients to work for their pay-checks. In Ontario, Canada, welfare workers are exempt from the protection of the Employment Standards and the Labor Relations. In addition, the provincial government passed the Prevention of Unionization Act in 1998. This Act denies the right of collective bargaining for welfare recipients working as a part of their workfare assignment. In this sense, the maintenance of global capitalism becomes incompatible with the state’s legitimization function. Hence, the state withdraws from direct welfare provision, and consequently the market and not the state determines social values.

Conclusion

With the process of globalization promoted by the neo-liberal model, capital has not only framed the state’s agenda, but an extensive and expensive welfare state is not in capital’s best interests. Governments are eager to create policies that enhance the interest of multinationals. Evidence of increasing capital mobility and the internationalization of capital markets has been visible through agreements such as CUFTA, NAFTA, and more recently DR-CAFTA. However, this does not mean that the nation states have been bypassed by globalization. Because the state has always been a fundamental element in the process of the extension of capitalism, capitalism has not escaped the state. In the global economy, the state is the structure of power. Through the state and its agencies, the neo-liberal process of capital restructuring continues to be at the forefront, and there is no prospect whatsoever of getting to a more egalitarian, democratic, and cooperative world order beyond global competitiveness without a fundamental struggle with domestic and global capitalist over the transformation of the state. Indeed, the contemporary era of the globalization of capital and the internationalization of labor, national division of labor is linked to the international division of labor.

The main task for the government “is not getting the state out, but finding the state’s appropriate roles for fostering economic growth and development with both the state and the private sector.” (Callaghy, 1993:165) However, as feminists rightfully argue that “bringing the state back in” is to recognize that the state promotes the interests of those who “man” it. As such, “bringing the state back in does require a break with some of the most encompassing social-determinist assumptions of pluralism, structure-functionalist developmentalism, the various neo-Marxist” (Skocpol, 1985:20), and a recognition that the state is racist, sexist, classist, and homophobic. One of the most successful economic models for countries that want to become global competitors, while at the same time providing a social safety net for their citizens, is combining private enterprise and competition with long term planning, government intervention, and business and labor coordination. What I am suggesting, is the incorporation of “state capitalism” as an alternative to neo-liberalism is the only possible counterweight to globalization. However, as Panitch warns, this type of state capitalism, while incorporating that portion of the working class, nevertheless would exclude many groups. Some of these groups include women, immigrants, the underemployed who are employed in the low-skilled service sector jobs, and the unemployed “who would remain in a passive relationship to the welfare services.” (Panitch, 1997:105) Therefore, the enforcement of “state capitalism” must encompass a transformation of the state to guarantee social welfare for its citizens. Today, as a result of globalization, the transformation of the welfare state into a workfare state, women, especially single mothers, are the ones suffering the consequences.

¹ For a more comprehensive reading of the paradoxical nature of state theory in terms of its decline and popularity, see Leo Panitch, “The Impoverishment of State Theory,” (2002: 89-104).

² Some examples of autonomous states include a colonial state, which cannot take into account the interests of civil society because it has to implement decisions made at the colonial center; authoritarian states that are under military rule maintain “a great deal of state autonomy;” corporatist states maintain a great deal of autonomy. Also, there are societies such as Somalia without states. See Habibul Hasque khondker, “Globalization and State Autonomy in Singapore,” 2008: 39-40.

³ Many works have looked at the impact of globalization on the welfare state. See Stanford F. Schram, 2005; Ramesh Mishra, 1999.

⁴ In most western democracies, the poor, in this case, are mostly women. Women were considered as unemployable because of their child-rearing responsibilities. And when they did enter the paid labor force, they were treated as secondary workers. It is precisely for this reason that women have relied on the welfare state for some kind of support. In the United States, welfare provision for the poor is tied to Medicaid.

⁵ “For the American government, especially, terrorism promotes the most serious concerns because of terrorists’ mass bases and their capacity to disrupt the economy and civil society. The repercussion of the terrorist attack on the World Trade center in New York City, an especially clear symbol of global capitalism, is a case in point.” See Pinder 2007: 218-219.

⁶ What is the role of the United States in the new constitutionalism? Michael Hardt and Antonio Negri point out that “the United States does not, and indeed no nation-state can today, form the center of an imperialist project. Imperialism is over,” they argue (2003: xiii-xiv). “The idea of American hegemony is too simple to characterize relations within the Western world.” (Shaw, 2000: 240). I have argued elsewhere that free trade agreements, such as CUFTA, NAFTA, and more recently DR-CAFTA, are, to a large extent, America’s response to its declining hegemony, which contrasts with Clyde W. Barrow, “The Return of the State: Globalization, State Theory, and the New Imperialism where he argues that “globalization, in its current form, is actually a new form of American imperialism.” (2005: 125). For Panitch “the international mediators of US hegemony include the International Monetary Fund (IMF), the World Bank, and the World Trade Organization (WTO) (2002: 13-14). William I. Robinson and Jerry Harris point to the existence of a new transnational state structure, which is linked to a transnational class (2000).

⁷ For a more comprehensive reading, see Stephen Gill and David Law, The Global Political Economy: Perspectives, Problems, and Policies, 1988; Michel Aglietta, A Theory of Capitalist Regulation: The US Experience, 2000; Leo Panitch, “Globalization and the State,” 1997.

⁸ See Berch Berberoglu edited volume, Labor and Capital in the Age of Globalization: The Labor Process and the Changing Nature of work, 2002.

⁹ The federal government’s 6-and-5 program suspended collective bargaining, in that, all wages increase were to be determined by government and awarded to public sector employees. The 6-and-5 program was never intended to affect only the federal public sector workers. The provinces did subject their employees to similar measures. The dispute battle in Nova Scotia construction industry is a case in point.

¹⁰ For the Newly Industrialized Countries (NICs) in the so called Third World, the crisis was more of an exchange crisis. Corporations in these countries were big borrowers, financing the restructuring of production through debt. These corporations borrowed from private banks instead of the IMF. They became the reluctant agents of international finance, which required of them freedom for national movements of capital, facilities for the development of international movements

of capital and the development of international production, devaluation of national currencies, raising of domestic prices, and increased unemployment. As such, governments' accountability to foreign creditors outweighed accountability to their own citizens (see Robert Cox, 1991: 337-338).

In the "Second World," for example, in the defunct Soviet Union, equal access to basic need was threatened by economic reform measures, which seemed necessary by these communist governments to restore economic growth. The economies of the Soviet bloc had been experiencing severe economic difficulties since the 1970s. However, the most severe shocks to the region came after the fall of the Berlin wall, with the end to Soviet oil subsidies and the collapse of the regional trading system in 1990, and the Council for the Mutual Economic Assistance (CMEA) in 1991.

¹¹ In the middle of 1970s, leaders from the business community, government and elite from all over the world formed the Trilateral Commission. It consists of about 325 leaders, which included the Prime Ministers and Presidents of all the industrialized countries of Western Europe, North America and Japan. It became a forum for drawing up a global agenda and strategies for public policy making (see Clarke, 1997:31-32).

¹² For a more comprehensive reading on workfare in Canada and the United States, see Sherrow O. Pinder, From Welfare to Workfare, 2007.

¹³ Another method of the low-wage strategy, which the textile and clothing manufacturers, especially in Canada, are utilizing, is the shifting of production out of unionized factories to contracting shops. According to a study of thirty home-workers done by the International Labor Garment Workers Unions (ILGWU) in 1991, in Canada, the contractors employ home-workers and paid them, in most cases, less than minimum wages.

¹⁴ For a more comprehensive reading on the fiscal crisis, see James O'Connor (1973). He points out that the fiscal crisis "is exacerbated by the private appropriation of state power for particularistic ends." Business interests make claims on the budget for various kinds of social investment, unions make various claims for different kinds of social consumption, and the unemployed and poor want expanded social expenses (1973:9). Jurgen Habermas, in his book titled Legitimation Crisis, points to what he refers to as "governability of the democracies" and "governmental overload."

¹⁵ Take the case of Canada, for instance, its social welfare spending has always served its accumulation and legitimization functions. Universal health care was supported by business groups as a way of maintaining a healthy workforce.

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