Neo-Liberalism, Democracy and the State: Temporal and Spatial Constraints to Globalization

AMY GLASMEIER and RON JOHNSTON

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Contact:
Prof. Ron Johnston
School of Geographical Sciences
University of Bristol
Bristol BS8 1SS
UK

Phone: 0117 928 9116
FAX: 0117 928 7878
E-mail: R.Johnston@bristol.ac.uk
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Abstract. Most discussions of the role of the state in an emerging neo-liberal, globalized world pay little or no attention to the constraints on state action linked to the operation of liberal representative democratic regimes. A discussion of the nature of representative democracy identifies those temporal and spatial constraints, and illustrates them with examples from four policy areas: freedom of labour movement; exporting jobs; subsidizing and protecting producers; and promoting places. Those constraints are much more effective in some types of country than others, however, and in some it has proved possible to circumvent them by moving policy decisions outside direct government purview.

…most democratic governments cannot produce short-term economic misery for the sake of some neo-liberal vision of the long term, for in the meantime they will lose the next election (Mann, 2003, p.70: emphasis in original)

So here we have two apparently self-evident truths, a geography of borderlessness and mobility, and a geography of border discipline; two completely antinomic geographical imaginations of global space (Massey, 2005, 86).

Much academic attention has been focused in recent years on the latest expression of the capitalist mode of production – generally termed neo-liberalism – and the associated processes of globalization (on which see Dicken, 2003, 2004). One area of particular concern has been the state’s role in regulating neo-liberalism, especially the liberal democratic state as it is generally understood in North America and Europe. Very largely ignored in this, however, have been the constraints to state action imposed by the ways in which liberal democracy is practiced. This essay addresses that imbalance by identifying and illustrating those constraints and how they impede the pursuit of neo-liberal economic goals – in the short- if not the longer-term, and in some countries more than others.

The key feature of neo-liberalism is a belief in the greater efficiency of markets than any other mode of economic organization. Those markets transcend state boundaries and the state’s role in their management should be small, certainly much smaller than under previous capitalist modes, such as Fordism. Two important aspects of the operation of these markets are:

- Freedom of movement in the factors of production; and
- Freedom of trade in goods and services.

The end-product of evolution of such markets should be complete freedom of movement and trade across all state boundaries. Stiglitz (2002) argued that the actions of western ‘developed’ countries, both individually and through international institutions that they control (such as the IMF), have impeded movement towards that goal, however, but did not explore one of the reasons why.
One aspect of the nature of the contemporary state which can hinder attainment of that end, at least over the short-term and especially in the economically most-powerful states, is democratic practice. Underpinning the two freedoms identified above is an ideological belief in democracy as neo-liberalism’s necessary political structure, a belief stemming from Hayek’s writings and expressed by Peet (2003, 10) as comprising two related positions:

First, the growth of civilization comes from the freedom of its individual members to pursue their own ends in the context of private property rights. …

and

Second, governments should therefore be democratic, with fixed limits on the sphere of their command, especially their powers of coercion. Democracy is at the heart of much of the rhetoric which promotes neo-liberal economic policies – notably, though far from only, the rhetoric deployed by United States’ governments, whose current President set as part of his second-term agenda to ‘seek and support the growth of democratic movements and institutions in every nation and culture’.

This essay starts, therefore, by examining the transformations of the nature of the state occurring within neo-liberal contexts (on which see Shaw, 1997; see also Lacher, 2005). An increasing number of those states, especially the most powerful economically, are democracies, so a second section looks at the nature of contemporary liberal representative democracy. This is followed by a discussion of the temporal and spatial constraints to economic policy which the operation of such democracies entails, constraints which are then illustrated by four policy areas. Those constraints are not equally felt throughout the world, however. At the broadest scale, there is a north-south – or developed-underdeveloped – dichotomy in their impact, but within each actions of the state apparatus promoting their own (electoral) self-interests create internal geographies of barriers to neo-liberalism. Ways round this may be found, as illustrated by a final section on the state yielding control over policy to ‘independent’ bodies which take it outwith the electoral arena – and therefore more likely to serve the interests of ‘capital’ rather than those of the ‘working class’.

Nevertheless, such shifts far from undermine the basic contention that appreciation of the long-term shifts towards a neo-liberal, free-trading world calls for study of the short- and medium-term constraints created by democratic imperatives.

**The Role of the State in Neo-Liberalism**

The state’s basic roles within neo-liberalism remain very largely those of earlier versions of capitalism, summarized by O’Connor (1972) as involving:

1. *Securing a consensus from all groups within society* around the mode of production and its particular local formation. This accepts its underlying principles and pursues order and stability within the territory governed by and through the relevant state apparatus.

2. *Sustaining and enhancing the conditions for capitalism’s successful reproduction*, ensuring continued profit-making and thereby generating support for the state and its actions among the ‘capitalist fraction’ within society.
3. Guaranteeing social integration and the welfare of all by, for example, ensuring that all fractions of society enjoy the fruits of capitalist wealth-production and are protected from its vicissitudes. All three are necessary and, to some extent, complementary: capital requires the third role to be pursued, for example, so as to provide it with a healthy, educated workforce and the latter requires capitalist operations to be successful, otherwise there will be neither jobs for them to occupy nor wealth production to enable state support for those unable to fend for themselves. There has to be a balance between the second and the third, however. Without it, first goal is probably unattainable; the state has to sustain sufficient support from both of the main class fractions within capitalism – capital and labour.

Failure to achieve success in the second role can stimulate what Habermas (1976: see also O’Connor, 1987) termed a rationality crisis, whereby a lack of confidence in the state’s actions results in a reduction of capital investment, with consequences for employment and well-being prospects. Relative failure in the third role can lead to legitimation crises, whereby disadvantaged groups withdraw their support from the state apparatus and challenge its legitimacy. Failure at both the second and third simultaneously can lead to an overall crisis of accumulation, whereby the state retains support from neither fraction of society; the likely outcome is, at worst, collapse of the state apparatus and an anarchic condition until a new form of order is installed.

The state – or at least an institution comparable to the state as currently understood – is necessary to capitalist society. Capitalism, as Marx observed and subsequent commentators have accepted, contains within itself the seeds of its own destruction. A body apparently independent of society’s various interest groups is needed to regulate capital’s operations and prevent the self-destructive tendencies from prevailing. That body has invariably been the state, at least since the Treaty of Westphalia in 1648, because it exercises sovereign power over a designated territory, within which it arrogates to itself the ultimate source of all regulation and a monopoly over the use of violence. Thus, as illustrated in work on the resolution of environmental problems (Johnston, 1996, 2006), the state has become the body which prevents individuals and groups from taking actions that are not in their long-term best interests, however they may seem in the immediate term. (For a wider treatment of the need for the state in the context of trust, see Marquand, 2004.) Its ability to achieve that goal, however, is constrained by its democratic nature, including the spatial constraints to action.

A salient characteristic of the capitalist state is that although success at both the second and third roles – ensuring the conditions for capitalist reproduction and social integration of all fractions of society – is necessary to capitalism’s continued viability, they are also to a considerable extent in opposition, so that an over-emphasis on one can generate a potential crisis in the other. For example, a government which operates a high tax regime in order to redistribute wealth away from the capitalist fraction and benefit the relatively disadvantaged can create a milieu seen as unfavourable to investment by the former. This in turn may stimulate aspects of a rationality crisis, with reduced levels of investment leading to a slow-down in economic activity and job-creation, creating the potential for generating a legitimation crisis among those supposed to benefit from the policy. Alternatively, a government which emphasizes creating a favourable milieu for investment and profit-taking can alienate those who benefit relatively little from such policies, by reducing the size and
scope of the welfare state and its ability to sustain those who prosper least and have fewest resources with which to compete in labour and other markets. Such a nascent legitimation crisis can, in turn, stimulate unease among investors, who will be wary of making long-term commitments in places where there is a threat to socio-economic and political stability. Relative failure at one of the roles therefore impacts on the other: the state must keep both sides of society (each subdivided into a plethora of separate interest groups) relatively content.

Governments – the (elected, under liberal representative democracy) bodies in charge of the state apparatus – must continually consider the balance of their policies, in order to sustain both favourable conditions for economic growth and prosperity and the consequently hoped-for social stability. If the balance is tilted too far towards one of the two roles, the potential for alienating a major group within society is accentuated, especially if a considerable imbalance is maintained for some time without alternative modes of ensuring stability and order, for example through coercive powers not readily available in a representative democracy (on which, see below).

Despite their multiplicity of forms, states, as already implied, are intrinsically geographical institutions – they operate within a defined territory only. For some theorists, their spatial construction and constitution is among states’ key defining characteristics and deployment of territoriality strategies is central to governments’ ability to rule within such bounded spaces (Mann, 1984; Sack, 1986). This geographical nature of the state is key to appreciating important aspects of its role in the regulation of neo-liberalism (on which see Plant, 2004). This is recognized in a number of recent works seeking to ‘bring the state back in’ to studies of globalization (e.g. Brenner et al, 2003: Held and McGrew, 2002, 2003; Pratt, 2004; Jones and Jones, 2004; Brenner, 2004), as well as longer-term arguments that the state should not readily be dropped from studies of economic geography (e.g. Dicken, 1993; Hay 2004). But the role of representative democracy within the contemporary state is largely ignored. Weiss (1999, 2003, 2005), for example, argues that states have more room to manoeuvre within a globalizing economy than most theoretical statements allow and recognizes that how states act within the constraints of globalizing trajectories will reflect local conditions and circumstances. She does not link those degrees of freedom to the operation of democratic systems, however: for her, political analysts ‘talk less of the decline of the state, and even less of its continued potency, than of its transformation’ (Weiss, 2005, 345: see also Mosley, 2005; Barrow, 2005).

Similarly, Cox (2004) has addressed the impact of class conflict within a democratic state on capitalism’s trajectory, but although he examines the impact of democratization – notably the extension of the franchise across the working class – on the tension between the state’s second and third roles (what he terms ‘the balance between capital’s accumulation fund and labor’s consumption fund’: Cox, 2004, 37) he does not explore the impact of the operation of liberal representative democratic practices in particular.

Barnett (2005, 10) has argued that these ‘theories’ of neoliberalism ‘favour elite-focused analyses of state bureaucracies, policy networks and the like’ and largely ignore the politics outwith those positions – what he terms ‘bottom-up governmentality’, in which we include electoral politics. Thus, for example, Jessop’s extensive work on the contemporary capitalist state pays no attention to its democratic
foundations and constraints (e.g. Jessop, 2002; though see Jessop et al, 1988). Indeed, Hay (2004, 43) sees the work of Jessop and others as

… starkly apolitical. Remarkably, virtually no mention is made … of political parties at all, nor of the implications of the putative transition to the competition state … for the more or less democratic character of economic governance in contemporary societies. Moreover, where … a range of political variables are considered, such factors are accorded only a limited and second-order relevance’.

Similarly, Hudson’s (2001: see also Mansfield, 2005) argument for greater consideration of the contemporary role of the state does no more than mention democracy, and a book entitled The state, democracy and globalization (King and Kendall, 2004) has no discussion of the basis of democracy – elections – let alone the constraints reflecting the time-space constitution of democratic practices that these place on state operations. This essay brings those constraints to the foreground.

**On Liberal Representative Democracy**

Democracy is a widely-used term with a considerable number of meanings. Our concern is with democratic control of the state apparatus, defined by Abraham Lincoln as ‘government of the people, by the people, and for the people’. Governments are elected to manage the state apparatus in the general good. They are accountable to their electorate, which can remove and replace them if they believe that the general good can be better pursued by other politicians. Democratically-elected governments are thus constrained in their use of state power by the search for re-election (Tirole, 1994).

The nature of representative democratic institutions varies greatly across states which conform – to some extent at least – to the basic tenets. There is a wide range of electoral systems, for example, which the composition of governments may reflect (Norris, 2004). Within this variation, however, there is a foundation of common constitutional principles which should guarantee: (1) freedom in the formulation of preferences, joining organizations, expression, distributing information, voting and competing for votes; (2) freedom in the signification of preferences, through free and fair elections and the right to stand for public office; and (3) an equal weighting of preferences so that, as expressed in Article 21 of the 1948 United Nations Declaration of Human Rights, ‘the will of the people shall be the basis of the authority of government; this will shall be expressed in periodic and genuine elections which shall be by universal and equal suffrage’ (Dahl, 1978).

Although democracy’s heartland is in classical Europe, the United States has one of the longest traditions of democratic practices associated with these foundational ideas – although the movement towards universal freedom and equality has been contested and rarely smooth, and is still far from complete. This 200-year-plus tradition of power being transferred between governments to reflect the will of the people as expressed electorally is at the core of American capitalist rhetoric. The United States has prospered and, with the (albeit major) exception of its Civil War, been largely conflict-free because of its democratic foundation – explicitly created by the founding fathers to counter the unrepresentative form of government imposed by British colonial power. The will of the people, and their desire for economic success plus ‘the pursuit of happiness’ that this enables, has underpinned the creation of a stable and
prosperous society. American governments have pressed others to adopt the same framework, thereby ensuring not only their own stability and prosperity but also international prosperity and stability too – which serves American interests as well.

This rhetorical claim was often violated (or, at least, overlooked) through much of the twentieth century. The United States (along with other democratic states, notably in Western Europe) was prepared to tolerate non-democratic regimes where these were seen to be in America’s best interests – even regimes which practiced virtually no democracy at all. The United States was also prepared – covertly if not openly – to assist in undermining popularly-elected governments if they were operating against perceived American interests (see Johnston, 1999). Nevertheless, the number of countries with democratic forms of government has increased substantially in recent decades, a trend for which the United States has claimed much credit (O’Loughlin et al, 1998; O’Loughlin, 2004; Coate, 2005; Rieffer and Mercer, 2005).

Practice and rhetoric have been more closely allied recently, and the exceptions – though still notable (such as Pakistan and Saudi Arabia) – have become rarer. In large part this is because of changes in the operation of representative democracy in many parts of the world, which – as discussed below – are to a considerable extent linked to the evolution of neo-liberal economic regimes. The United States has not undergone these major shifts, however, because – in international terms – its 19th and 20th century representative democracy differed quite considerably from practices elsewhere. American exceptionalism extended to its foundational ideological belief (on which, see also Steinmo, 1994).

As representative democracy evolved, particularly with the extension of the franchise to all adults, political parties became fundamental to its operations (Seyd, 1998). These play three main roles: they mobilize sections of the electorate around a key set of beliefs; they are central to people’s engagement with political issues; and they provide governments with relatively secure (if not guaranteed) support when seeking to implement those policy goals. Parties provide order, stability and continuity to the political scene, both within and outwith the legislature. Without them, each election would be an ad hoc exercise: electors would determine who they wished to represent them in the legislature but have little say on how majorities were assembled there to sustain legislative programs. Without them, too, governments would have little security of office: all policy proposals would be subject to bargaining and ‘hidden deals’, and governments could fall with considerable regularity without any reasonable guarantee of support for a programme. As the business of government extended into more spheres of activity and became crucial to the success of the burgeoning capitalist enterprise, continuity of policy became more important, for which party government was crucial.

The emergence of party government in Europe was associated with sets of ideologies that emphasized one of the two main tasks of the capitalist state over the other. On the one side were parties which focused primarily on wealth-creating tasks, whose policies promoted the particular interests of the capitalist class; on the other were parties which promoted the redistribution ideology of the social integration role, with policies oriented towards the non-capitalist fraction, from which they drew much of their electoral support while recognizing that without success at the second state role as well redistribution would be seriously impeded. (See also Harvey, 2005.) These
parties were known as right- and left-wing, or conservative and socialist, respectively. As the franchise was widened to incorporate an increasing proportion of the non-capitalist (‘working class’) fraction, the potential for intra-society conflict was enhanced. In some countries, attempts to mitigate this were taken by the capitalist fraction and its supporters (the ‘middle class’) by the introduction of (relatively) proportional electoral systems which it was hoped would restrict the freedoms of working-class-based governments to create the potential conditions for a rationality crisis. This was not done elsewhere, however – notably in the United Kingdom. As working-class support was mobilized there behind socialist-based parties, the potential for electing governments with ideologies and programmes likely to severely constrain, if not entirely challenge, capitalist operations, was increased. By the 1970s, this was identified as a severe threat to Britain’s continued economic prosperity, containing the potential for major switches in government policy between elections (see Finer, 1974). This generated insecurity for investors, to which they responded by transferring their capital and/or expertise elsewhere (either geographically or, as Harvey – 1982 – argued, to other, less-productive spheres of investment). Such a situation was especially problematic during substantial downturns in the global economy. The balance between the two competing fractions is easier to manage when profits are high and employment near-full: it became much more difficult after c.1973 in the UK, for example, when profits declined and governments (including a substantial fraction of the Labour party) began to attack trades unions and the welfare state.

This potential see-sawing of policy directions and its likely impact on well-being in a country has been reflected in the democratic experience in several parts of the world – notably Latin America and some African and Asian countries until relatively recently, but now in the newly-democratized states of the former Soviet Union and its ‘empire’ too. As Taylor argued (see Taylor and Flint, 2000: see also Osei-Kwame and Taylor, 1984; Dix, 1984; Werz, 1987), failure of elected governments to fulfil expectations generated when mobilizing electoral support stimulated a cyclical pattern of shifts in and out of democracy in a number of countries. A government may be elected on promises of prosperity for all, which means that it emphasizes the third state role above the second. If it succeeds, it may maintain popular support, but this could be at an increasing cost: its policies are seen as ‘too expensive’ by the capitalist fraction and threatening to wealth (i.e. profit)-creation. A nascent rationality crisis is stimulated; as support and income-generation (via taxation) from the capitalist fraction decreases so that the state is unable to fulfil its promises to its main working class electoral supporters. A legitimation crisis follows, and the scene is set for an accumulation crisis, as the government loses support across the class spectrum. In the middle decades of the twentieth century, the usual response to this situation – especially in Latin America – was a military coup, forming a government without (explicit) popular support which then followed policies designed to create a favourable environment for capitalist investment. Its rhetoric was that a non-democratic resolution of conflict was necessary for the national good, and that as prosperity was regained so it would be possible to reinitiate a larger welfare state and, eventually, return to popular government via democratic procedures. In some cases, the latter was yielded without extensive popular demands: elsewhere, popular pressure on the military-backed government (perhaps with outside assistance) was needed to gain the concession of renewed government by the people.
Military, non-democratic, intervention was a common, though not universal, response to the cycle caused by governments which tilted the balance too far towards one of the two tasks. In India, for example, it resulted instead in the dominant political party (Congress for much of the first four post-independence decades) failing to meet the aspirations of its supporters at one election and so, at the next, mobilizing a new support base elsewhere (Taylor, 1986). In many of the countries of the former Soviet bloc since the fall of communism in 1989-1990, it has involved major changes in the party system from one election to the next. A party may win power after an election (or at least a dominant position in a coalition, given that most of the electoral systems introduced there are at least quasi-proportional) but then so fail to meet its supporters’ aspirations that its support disintegrates. New parties then emerge to fill the gap, and they in turn fail. Democracy is maintained – usually because the armed forces are too weak to intervene (as in the Ukraine in 2004-2005) – but it is unable to stimulate major improvements in economic performance and general well-being. Finally, in a number of states – most of them very poor – democracy has been sustained in only a weak form through the predominance of a single party, with a contest between parties allied to the two main tasks (neo-liberal and social democrat respectively) proving irrelevant to the country’s needs.5

Western European, North American and a small number of other countries (notably Australia and New Zealand) have not experienced these cycles to anything like the extent currently occurring in eastern Europe let alone, with a few exceptions, involving non-democratic seizures of power – certainly not during much of the second half of the twentieth century. Although elected governments have occasionally tilted the balance too far towards one of the main class fractions, the system has been robust enough to sustain economic growth and, eventually, a new balance has been created as the potential for a crisis becomes more apparent.

The United States has been almost immune from such experiences throughout most of its two centuries of democracy. In part this is because its party system has never been constructed on predominantly class lines – unlike the experience throughout most of western Europe and the former British Commonwealth dominions (Lipset and Rokkan, 1967). American politics have been much less ideological than those in western Europe, and based to a considerable extent on (spatial) sectional grounds, especially since the Civil War.6 The composition of the sections has varied, with series of normal elections (especially Presidential elections), when each party has continuity of support from certain parts of the country, punctuated by realignments, as one of both of the two dominant parties have sought to extend their electoral bases. (The theory underpinning this was developed by Key – 1955 – and substantially adapted for geographical study by Archer and Taylor, 1981: see also Mayhew, 2002.) Although this geographical basis to party support has resulted in certain parts of the country being favoured over others in the promotion of economic prosperity and social well-being (as shown in studies of the pork-barrel: Johnston, 1983), this has never threatened to generate either a rationality or a legitimation crisis. Both of the main parties have, with some differences of emphasis, been committed to the promotion of capitalism within the USA – hence, perhaps, both the general American commitment to democratic rhetoric and at least a partial lack of appreciation of the constraints to democracy in general in Europe and elsewhere, where class-based politics prevailed for most of the twentieth century.
A new politics?

That century’s last two decades saw major changes in the nature of both capitalism and democracy there, however. In large part, as Harvey (1989) argued, this was because capitalism itself was mutating as a response to the failure of the Fordist mode of regulation to ensure continued growth: it was replaced by a new form, termed flexible accumulation. The nature of representative democracy changed with it, as economists and others with influence on governments pressed the case for new forms of regulation and governance that would be more favourable towards the post-Fordist mode and its globalizing agenda. Their impact is often traced to the policies developed by right-wing governments in the United Kingdom (‘Thatcherism’) and the United States (‘Reaganism’) and a (relatively) ‘left-wing’ government in New Zealand (‘Rogernomics’), but the arguments and related policies spread fairly rapidly – though with a readier reception in some countries than others.

The core of this new ideology involved a considerable transcending of the existing political scene: in most cases, the party system has remained the same (as in India), but individual parties – such as Labour in both New Zealand and the UK – have very much restructured their agenda (see Crewe, 1986, on the necessity for this). In both cases, and increasingly elsewhere (in Australia, Canada and parts of western Europe – though not France, Germany and Italy), the class conflict that underpinned electoral politics for some decades has been considerably diluted, partly as a response to electoral realities. With the decline of traditional manufacturing industries, the working class base that sustained left-wing parties has been substantially eroded, and party leaders realized that broadening their appeal to large segments of the middle-classes was necessary for future political success. They justified taking this course to their traditional constituencies by stressing the nature of the changing world – often using globalization and neo-liberal rhetoric as part of the argument – and contending that the greater good of all is best served by promoting wealth-creation. A residual commitment to ensuring that the fruits of economic growth are available to all – by improving the quality of public services, for example – has also been used to sustain support, while at the same time the rhetoric of rights (other than ‘civil and human rights’) has been replaced by one of obligations and duties – as in the workfare state policies developed in parts of the USA and exported to the UK and elsewhere (Peck, 2001: see also Bennett, 1989; Martin et al, 2005). At the same time, parties need more money in order to undertake expensive election campaigns, an increasing proportion of which they obtain from business rather than other interest groups – thereby making it even more important that governments are perceived to be operating in the interests of local capital (Grant, 2005).

Class-based voting has been substantially replaced by issue-voting, whereby electors make their decisions whether to return the incumbent government or replace it by an alternative on the basis of evaluations of the country’s economic performance and the government’s competence in managing the economy, both retrospective and prospective. As in the United States so, increasingly, elsewhere, when asking what determines how people vote, the answer is ‘it’s the economy, stupid!’ The issue is no longer which section (class?) of the population gains and which loses when a particular party is in power, but whether it can be successfully argued that the country as a whole has benefited or suffered. Democracy’s threats to capitalism have been very substantially reduced by this shift, and the balance between the second and third
state roles has become a less important component of the electoral agenda. All governments seek to encompass both, though their stress is on the promotion of capitalism as the sine qua non: without it, the third task cannot be pursued.

**Time, Space and the Constraints to Democracy**

Given these recent shifts in the nature of representative democracy, with many more countries approaching the American norm of economically non-ideological party systems and politics, the way seems open for a rapid shift towards globalization. Although one constraint has been removed by the restructuring of democracy, however, others remain. These are inherent to the ways in which liberal representative democracy is currently practiced, with some intrinsically geographical in nature and scope. The contemporary barriers to a geographical outcome – globalization – are themselves largely geographical.

National elections are contests between political parties seeking to prove that they are best able to manage capitalism (Schumpeter, 1943). The successful competitors are accountable to those who elect them, and if they fail – or are perceived to have failed by a substantial proportion of the electorate, relative to what others claim they could do – they can be replaced. As they govern, therefore, elected administrations seek to ensure they are not subjected to that indignity. In doing so, they must pay heed to three constraints to their degrees of freedom to act – one temporal and the other two spatial, although all three interact. In this section, we outline those constraints: in the next, we illustrate their nature, emphasizing the spatial.

**Time and Elections**

Most democratic governments have short time horizons: they have to return to the electorate to be judged on their performance within a relatively short period after they have gained, or regained, office. Those horizons are rarely longer than five years: one of the few that was longer – the French President’s seven-year term – has now been reduced, and the only other exception of note is the six-year term for US Senators. For some legislators, the horizon is very short – as with the two years for members of the US House of Representatives: for most others it is 3-4 years. The time horizon may be fixed – elections follow a pre-determined, unchangeable timetable – but some incumbent governments have the power to determine when to seek re-election, within a maximum term; in others, the legislature can be dissolved and new elections held earlier than the timetable specifies if the incumbent government so wishes, or finds that it has lost popular support.

Given these timetables, governments must – almost of necessity – allow short-term considerations to dominate their actions. Longer-term goals may be important to their rhetoric – and indeed to their continued support in certain circumstances, as with policies regarding the environment – but, given that plausible alternative governments are available, performance between elections is vital to re-election prospects. Whatever a government’s medium- and longer-term aspirations, if the short-term performance has disappointed a substantial proportion of the electorate, it may never have the chance to implement policies leading to those ultimate goals. A government may therefore seek to manipulate the political economic cycle to ensure favourable economic indicators in the months leading up to an election (see a recent symposium
in *Electoral Studies*: Lewis-Beck et al, 2004). Where the timing of an election is in the hands of the incumbent government, it may decide to call an election when the potential for re-election seems high because of good economic performance.

There are partial exceptions to this. The New Zealand Labour government elected in 1984 had no mandate to implement the massive economic restructuring that occurred in the following three years and its actions generated a great deal of short-term suffering. Nevertheless, it won re-election in 1987 at least partly on the argument that the pain created by those actions was a necessary foundation for the social policies it would now enact – an argument at least partially sustained by a spatial strategy (Johnston and Honey, 1988). Three years later, it failed to convince an increasingly sceptical electorate that it had delivered on those promises: the voters not only removed it from office three years later but also indicated their preparedness in two referendums to move to a more proportional electoral system which would probably deny any party the absolute power that first-past-the-post virtually guaranteed.

The need to convince the electorate of their successes, especially in the economic sphere, means that longer-term goals can only be pursued to the extent that either they do not significantly impact on short-term outcomes, or that they can be ‘sold’ as so desirable that ‘gain later is worth pain now’. This situation is exacerbated by the nature of much contemporary government and politics. Whereas until relatively recently governments, once elected, were largely immune to public pressure until re-election time (including pressure through the media), when support was once again solicited, increasingly governments are continuously monitoring and responding to such pressure – a policy highlighted by the Clinton administrations. Regular and frequent opinion polls and other sources of appreciation of public views (such as focus groups) are used not only to monitor responses to policies but also to fine-tune and, if necessary, alter those policies in order to maintain positive poll ratings. Further, given the important role of the mass media in the presentation of government policies to the electorate and in developing the electorate’s understanding of, and reactions to, those policies, governments are increasingly taking account of the agenda of those who control the media, and manipulating their actions to win media approval.

*Of Space, Place and Democratic Practice*

Interacting with this important temporal constraint on government actions are two spatial constraints. One concerns the inherently spatial construction of the contemporary state; the other its internal coherence.

**The Territorial State**

A defining characteristic of the contemporary state is its territorial nature (Giddens, 1985; Mann, 1984), which not only allows its ready identification on the ground and maps but also provides a resource that enables power to be deployed effectively (Sack, 1986). States are defined spatially, and international law since the Treaty of Westphalia has allowed them virtually unfettered power within that bounded space. Where that privileged position has been violated, other states – through treaty obligations and/or (more recently) United Nations agreements – have on occasions acted.
Despite this generally-accepted situation, there are examples where individual states –
acting either alone or in collaboration with others – have taken to themselves the
power to invade the territories of other states to promote their own interests. The
USA, for example, reserves that right to itself in certain circumstances (as under the
Comprehensive Crime Control Act, 1984 and the Omnibus Diplomatic Security and
Anti-Terrorism Act, 1986), and this case was very significantly broadened in 2003 to
justify the invasion of Iraq by the USA, the UK and a small number of others. Indeed,
in the aftermath of that invasion, the UK’s Prime Minister suggested that it may be
necessary to reconsider the legacy of the Treaty of Westphalia in the context of the
‘war on terror’. Furthermore, some states – notably the USA, Australia and Canada
(Mountz, 2004) – have been redefining the territorial limits of their states, creat
ning non-state-territories (as at Guantánamo Bay: Johnston, 2004a) which they control but
where (it is claimed) their own law does not apply and both national and international
civil and human rights legislation can be overlooked.

Most states, in most circumstances, have virtual carte blanche to act as they see fit
within their own territories – subject to the constraints of their own legal systems and
any international obligations they have entered in to and are prepared to meet. This
can be a substantial barrier to the pursuit of goals that transcend state boundaries, as in
many aspects of environmental policy: the major contemporary environmental
problems – global warming, sea-level rises, biodiversity loss etc. – are global in their
scope and the processes underpinning them do not recognize international boundaries.
The actions (or inactions) of individual states in these areas – as exemplified by
problems over ratification of the Montreal Protocol on CFC emissions, the Deep Sea
Mining chapters on the International Law of the Sea, the Biodiversity and Climate
Change clauses of the Rio Conventions, and the Kyoto Treaty – are aimed at
promoting local rather than global interests (on which see Barrett, 2003). As the
tragedy of the commons metaphor clearly illustrates (Vogler, 2000; Johnston, 1996,
2005), such pursuit of narrowly-local goals may very well impede the search for
international solutions to global problems. Without a state apparatus with a wider
remit and span than that of current states, the power to act globally, international
environmental problems will, at best, be tackled very slowly, especially as the most
powerful (economically and thus politically) states act in their own national/local
interests rather than those of humankind as a whole. (Johnston, 2004b.)

This constraint to action to tackle global environmental problems created by the
political structuring of the world into a series of separate containers is paralleled by
similar barriers to the achievement of the neo-liberal economic goal of globalization.
In some situations, those controlling the state apparatus may perceive they have no
alternative but to enact a neo-liberal agenda – as in New Zealand from 1984 on.
Others may be virtually required to do so by pressure from more powerful outsiders,
as with US and Western European pressure on many weaker states – some of it
indirectly through policies of bodies such as the IMF and the World Bank (Peet, 2003;
Momani, 2004). But in many states for some of the time, and in some for all of the
time, the goal is to promote local as against wider interests (for either or both of
capital and the ‘working class’) – a spatial strategy enhanced by the temporal
constraint identified above.
In this – as exemplified below – the crucial issue is the balance between the second and third roles identified earlier as key to capitalist state operations – balancing the competing demands of capital and labour. Those in charge of the state apparatus who wish to be re-elected are well aware that they must not substantially alienate either or both of the two main fractions within society. If the capitalist fraction and its (middle-class) supporters feel that the state is not serving it well, and that the processes of wealth-production are failing to deliver against expectations, they may withdraw their support (and their capital) from an incumbent government. Similarly, if the non-capitalist fraction and its (working-class) supporters feel that they are being ill-served by state policies, they too may withdraw their support. Most political parties – certainly so in long-established democracies – have a bedrock of support on which they can call in virtually all circumstances. This is only rarely sufficient to guarantee success at a sequence of elections, however, unless a significant component of both fractions is sufficiently positive and optimistic to vote for the incumbent party(ies) rather than an opposition. To survive, governments have to deliver policies which keep a substantial majority of their electorates happy – which may well mean acting in ways that constrain the overall, global neo-liberal goal. Local, short-term inefficiency may be a necessary price for local electoral support.

**Inside the Territorial State**

The state role which has received relatively little attention in this discussion so far, although in some senses it is the most important (without success at it, accomplishment of the other two is very unlikely), is the first – ensuring support for the state apparatus and its actions across the national territory. In part, this is pursued through ideological means – many associated with nationalism – but unless the rhetorical claims for unity are accompanied by economic success, long-term cohesion will be threatened, with the potential for generating an accumulation crisis.

The implication is that those in control of the state apparatus must not stimulate – or fail to correct – conditions which lead to the creation of a relatively permanent disadvantaged ‘class’ within their own territory, whose response to their situation threatens the state’s legitimacy. There are many circumstances where such classes do exist, but their radical potential has not been realized (on which see Galbraith, 1979, on the US ‘culture of contentment’): however, most governments accept that ignoring the interests of a substantial proportion of their electorates can be dangerous. Resolving this problem – or sustaining a balance between the second and third state roles – may involve much political rhetoric, with governments/parties arguing that what they are doing/proposing to do is in the general good, whereas detailed analysis suggests that one class would benefit greatly over another.

One situation in which the threat to the state’s cohesion is particularly troublesome is where the disadvantaged are spatially concentrated. Uneven development can become a major political cause, especially where it can be associated with other, cultural, movements such as nationalism. A spatially-divided country faces potential political problems which if unresolved can have major economic impacts: that situation is exacerbated if the elected government is drawn overwhelmingly from certain parts of its territory only. This may do no more than stimulate political unrest – as with the north-south divide in the UK which was very substantially exacerbated in the 1980s (although it is unlikely – despite the claims of Hudson and Williams (1989) – that the
opening-up of this divide was a deliberate strategy in order to enhance control of the ‘working classes’ and create a more responsive, spatially-concentrated, industrial reserve army: see also Johnston, 1991). But where there are tensions between regions which threaten a country’s overall stability, rationality crises may well be the outcome, with legitimation and, possibly, accumulation crises not far behind.

The Anti-Neo-Liberal State: Democratic Times and Spaces

The thesis developed here is that, despite the rhetoric surrounding neo-liberalism and globalization, spatial and temporal constraints to democratic practice are substantial impediments to the achievement of neo-liberal goals. To illustrate some of those impediments, this section briefly introduces four policy arenas in which governments – mainly those in North America and Western Europe (for reasons discussed in a final section) – deploy anti-neo-liberalism strategies and tactics, largely for electoral reasons.

Freedom of Labour Movement

Freedom of movement for the factors of production is a central component of neo-liberal rhetoric. Of these, land is not mobile and capital is now highly mobile, with relatively few constraints to its movement given the potentials of information technology, though it can be partially controlled through manipulation of exchange rates. Labour mobility is nothing like as free, however, despite the considerable contemporary volume of international migration, temporary and permanent (which is nevertheless very small relative to the total population). Many countries have been both ready and willing to absorb additional labour – especially during times of economic expansion – but even so have managed immigration so that, as far as possible, the imported labour meets current market needs and no more (on which see Geddes, 2005). This remains the case in many places. Germany, for example, does not allow companies to hire workers abroad (The Economist, 1.5.2004) and Australia and New Zealand both assess would-be settlers using points-based systems which emphasize their potential economic contributions (see, for example, New Zealand Immigration Service, 1995).¹³

Freedom of labour movement is a key element of the European Union (EU), but political pressures on the state apparatus constrain it. As Conant (2004) details, most EU countries have sought to limit such movement, either by classifying certain occupations as suitable for their own ‘nationals’ only or by denying immigrant workers access to the welfare state – with both practices stimulating court cases. In 2004, for example, ten countries joined the EU, all with lower levels of economic development than the norm in the other fifteen. Migration to many of the latter was thus (believed to be) an attractive option for residents of the accession states in terms of both job availability and wage levels.¹⁴ For some in the established member-countries – especially employers who saw the potential for either or both of obtaining labour where there were current shortages and driving down wage levels by altering the supply-demand balance – the new freedom of movement was viewed positively. Trades unions and other organizations argued, however, that a major influx of relatively cheap labour would not only alter the balance of supply and demand in some sectors of the economy, and so affect wage levels, but also lead to cheaper
‘imported’ labour replacing indigenous workers.\textsuperscript{15} Immigrants, according to such arguments, would be ‘stealing locals’ jobs’ (see Pijpers, 2006).

This argument is frequently associated with rhetoric regarding the undesirability of allowing such freedom of movement, on two grounds. First, many of the established EU countries have much more generous welfare states than those of the accession countries, whose citizens might be encouraged to move not for jobs but for better benefits: ‘welfare state scroungers’ in the rhetoric. Whether this was likely – and whether recent experience (as with the accession of Greece, Portugal and Spain to the EU in the 1980s) was consistent with the case – there was a potential short-term political problem. Governments feared they might lose electoral support, especially among the ‘working class’ fraction, because of such arguments, usually advanced by right-wing parties, and decided that freedom of movement would not be implemented immediately. Instead, there would be a transition period during which immigration from the new member countries would be limited to those with jobs to move to. Two countries – Ireland and the United Kingdom – initially decided to allow complete freedom of movement from the date of accession. Under political pressure both changed their policies to protection for local labour in the last months before accession. Immigrants from the new member states, in the UK Prime Minister’s words, must be economically self-sufficient: ‘those who come here to work and study must be able to support themselves’ (Prime Minister’s speech to the Confederation of British Industry on Migration, 27 April, 2004: \url{http://www.number-10.gov.uk/output/page5708.asp}: see also Hayter, 2004).\textsuperscript{16}

Such policies involve political responses to pressure which carry potential electoral consequences. To a considerable extent, whether or not freedom of movement as proposed would have the anticipated impacts on wages, jobs and bills for welfare state benefits is irrelevant. Much more important are popular beliefs, which may be difficult to counter with arguments to the contrary, especially in countries where large segments of the media are opposed to freedom of movement.\textsuperscript{17} Some arguments may be technical and difficult to transmit, relative to the simplistic cases presented by those opposed to the possible immigration. Others may simply relate to the wrong timescale. The case that immigrant labour produces more benefits than costs in the longer term is unlikely to convince those who think that their jobs here are under threat now and their immediate standards of living are likely to suffer immediately. (For an example of that case, see Department of Trade and Industry, 2004.) In the short-term at least, therefore, many governments may respond to fears regarding cheap labour and ‘welfare scroungers’ by acting against the neo-liberal case for freedom of movement.\textsuperscript{18}

\textit{Exporting Jobs}

The ‘location theory’ underpinning neo-liberalism emphasizes (usually implicitly) that production occurs at the least-cost locations. Labour forms an increasing part of the total production costs in many economic, especially service, sectors. The relatively low labour costs in many parts of the world make them attractive locations for certain types of service-sector employment – especially if it involves relatively low-skilled tasks, as in call centres and the back-office operations of many business types – as well as for routine manufacturing tasks.\textsuperscript{19} One apparent consequence of such exporting of jobs, especially through foreign direct investment by multi-national
enterprises, according to UK data, is greater job insecurity in the industries concerned (Scheve and Slaughter, 2004).

The media frequently carry stories regarding such transfers of functions offshore by companies which argue that the cost differentials are such that if they do not move they will suffer loss of business to competitors that do. Such stories almost invariably stress the loss of jobs in the ‘home countries’ – jobs that may be concentrated in local labour markets which have relatively few other employment opportunities for lower-paid, poorly-skilled workforces. The threat is presented as not just to the jobs of, in most cases, a few hundred employees in the country as a whole but rather to the health of a particular local economy.

Such threats are readily politicized, and legislators representing the local area are very likely to become involved, seeking to alleviate if not prevent the identified negative consequences; many will be lobbied strongly by trade unions and other worker organizations, which will also be acting nationally. Legislators may win some concessions – either from the employer involved or, more likely, from a government convinced that to do nothing puts electoral support under threat, especially so if control of a relatively marginal constituency is likely to be lost. Selective assistance at least may be offered to retain employment in identified key locations.

The response is occasionally more general, because similar threats occur at a number of locations and stimulate widespread responses by politicians. In the USA in early 2004, for example, the Senate voted by 70 votes to 26 to exclude from bidding for government contracts all companies that intended to carry out some of that work offshore (The Financial Times, 5 March 2004). Warnings were also given of impending legislation that would require call-centres to identify the location of their operatives at the start of each call, in the expectation that consumer pressure would limit the extent of such movement.

One argument against policies designed to prevent the export of jobs offshore is that they sustain relatively low-skill, low-reward employment ‘at home’ rather than encouraging the upgrading of skills and local economies. Those against taking state action to prevent jobs moving ‘overseas’ argue that the loss of such jobs encourages investment in employment and the related skills that are not as amenable to offshore movement. The skills base of the local economy is thus increased, more rewarding employment is attracted to the area, and the local quality of life is improved. At the same time, members of the capitalist fraction argue that outsourcing and the consequent increase in imports allows them to remain competitive.

Such arguments may be valid in the medium- and long-term, but are unlikely to satisfy those concerned with the short-term – those who are being made unemployed and the politicians who hope for their support at upcoming elections. The argument of pain today for jam tomorrow is difficult to sustain, especially when political opponents capitalize on the situation. Further, new activities may not be located in the same local labour markets or for the same groups as those which are losing employment: other areas may offer more attractive environments for investment. Thus the electoral pressure is on legislators to protect the status quo – while at the same time undoubtedly deploying neo-liberal rhetoric that market forces are the most efficient. The search for efficiency is a continuing contest in which there are short-
term losers as well as winners – and losers have as much voting power as winners. Politicians have to reflect the interests of both groups.

**Subsidizing and Protecting Producers**

Key to much neo-liberal rhetoric regarding free trade are arguments that the state should not intervene in markets by, for example, subsidizing local producers so that they can compete successfully against goods and services produced elsewhere. Again, the argument is that free markets will deliver the most efficient pattern of production through the law of comparative advantage – to the ultimate benefit of all. Subsidizing producers is thus inefficient, especially if undertaken long-term rather than as a temporary expedient introduced to counter a perceived market imperfection or to assist in restructuring.

This rhetoric is frequently overlooked because changing conditions for production – including transport costs – mean that optimal locations alter over time. Some producers are thereby disadvantaged, with consequent threats to jobs and livelihood. (Evidence that free trade threatens jobs in one sector, and that the replacements in another do not compensate for the losses, can be found in Kessler, 2004; see also Miller, 2004.) There is then political pressure to protect the likely losers, to ensure that they can continue to compete. In some cases, the alternative may be failure; in others, it will be substantial restructuring, which could have considerable short-term impacts on profitability and employment. Such was the case in 2002 when the US government imposed tariffs on imported steel, an act that was seen to bolster the President’s electoral prospects in states where there was considerable steel industry employment – such as Ohio, Pennsylvania and West Virginia.\(^{24}\)

An example of the political arguments deployed to counter neo-liberal free trade policies is provided by the US textile and apparel industries. These have come under intense competition in recent decades from imported products, but have not accepted the argument that as ‘mature or sunset’ industries they should be prepared to decline. Instead, the relevant industry groups have pressed the implementation of strategies involving one or more of protection, promotion, segmentation, capital-intensification and internationalization. Political pressure has been used by relevant interest groups to preserve their economic interests against competitors’, although each action taken by the US government in this context (as detailed by Glasmeier et al, 1993) has resulted in a counter-action by overseas competitors – as with their switch to synthetic fibres in response to regulation of cotton textile imports. A recent example involved the pre-North American Free Trade Agreement Section 807 initiatives which, in effect, involved exporting jobs but retaining control and profits in the US. The 807 program allowed the import of articles assembled with US-fabricated components as long as the value-added is only that of assembly, with duty then being levied on the value less the cost/value of the US components.\(^{25}\)

Agriculture is another production sector in which protectionist actions are taken in ‘developed’ countries to guard against the loss of comparative advantage. Although the nature of agriculture changed substantially in most of those countries through the twentieth century, with massive losses of employment consequent on altered farming practices, nevertheless much has been done to guard against its possible impact, especially in the face of overseas competition which has much lower production costs.
Again, the reasons for this are very largely political – including electoral. Agriculture is a large and, in many cases, powerful lobby. Different agricultural practices are spatially concentrated, so that changes to the competitive situation of one type of agriculture can have substantial implications for the economic health of entire areas. Politicians – especially individual politicians who represent spatially-defined constituencies, as in the UK and the US – respond to such situations, because continuation of their political careers may depend on them.\textsuperscript{26}

Inefficient producers can be protected in a number of ways. One is to make their competitors’ products/services more expensive, through tariffs. Mann (2003, p. 59), for example, shows that American tariffs on goods from Bangladesh amounted to $331million per year in 2001, four times the amount of American aid to Bangladesh that year. He also cites the case of a 66 per cent tariff placed on honey imports from Argentina, which resulted in the loss of sales worth $50million per annum, with massive negative impacts on small-scale local producers and their cooperative organizations.

An alternative to tariffs is subsidizing local producers, allowing them to sell at prices lower than their true production costs. The US government subsidizes 25,000 cotton farmers – spatially concentrated in a few Congressional Districts – to the tune of $3billion a year (\textit{The Economist}, 1.5.04), for example.\textsuperscript{27} Over the years 2001-2003, the total cost of support to agricultural producers in five countries – Japan, South Korea, Iceland, Norway and Switzerland – was equal to 60 per cent or more of the value of total farm output there: it was about 35 per cent in the EU and 20 per cent in the US (amounting to $121 and $39 billion respectively in 2003 alone: \textit{The Economist}, 23.6.04).\textsuperscript{28} Such subsidies result from successful lobbying by special interests within those countries, against which other countries seeking trade deals are relatively powerless. In June 2004, for example, five Central American governments (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua: the Dominican Republic was due to sign a little later) signed the Central American Free-Trade Agreement (CAFTA) with the United States. US lobbyists, especially for the sugar and textile industries, were trying to get Congress to block it. In clothes-making, for example, Honduran manufacturers had been paying duties of 18-28 per cent and were required to buy their raw materials from US suppliers:\textsuperscript{29} CAFTA would remove both the duties and the purchasing requirement and help Honduran manufacturers compete against Chinese firms which, because of cheaper labour and a favourable exchange rate, had a 20 per cent cost advantage (\textit{The Economist}, 29.5.2004, 5).\textsuperscript{30} Implementation was stalled by the lack of a vote in Congress, at least until after that year’s elections.

Subsidies are not restricted to agriculture. In mid-2004 the United States government passed a bill which extended them through ‘reform’ of the corporate tax structure. In response to an EU complaint, the WTO ruled that a $5billion tax break for all US exporters was illegal, and that the EU was therefore justified in imposing retaliatory tariffs of up to $4billion. A retaliatory 5 per cent tariff on selected American goods was imposed in March 2004, with the threat it would be increased by one percentage point monthly until the US subsidy was removed. In response, the US Congress enacted legislation which compensated exporters in other ways, if they met its criteria for classification as ‘endangered companies’. Those claiming such status – in a major pork-barrelling exercise – defined manufacturing industry so widely that it
encompassed farmers, film-makers and oil refiners, and it was estimated that the total cost of the package – deemed temporary, but ‘in Washington, “temporary” tax breaks have a habit of becoming permanent’ (The Economist, 19.6.2004, 15) – could be $220 billion over the next decade.

There are many other forms of protectionism than subsidies and tariffs. One that became increasingly popular within parts of the European Union in early 2006 was the prevention of ‘overseas takeovers’ – in some places termed ‘economic nationalism’. The French government, for example, introduced legislation in late 2005 to protect businesses there from foreign takeovers in what were termed eleven ‘security-related’ economic sectors: the list of companies to be so protected included 10 of the largest 40 in the country – and included not only banks and public utilities but also a supermarket chain, a gambling concern and a yogurt manufacturer.31

Promoting Places

In a globalized economy, much effort is spent promoting particular places as a means of attracting investment and employment opportunities. States are deeply implicated in this, working with private sector organizations to promote the causes of places, often providing financial and other incentives (such as infrastructural projects) to enable them (in most cases, represented by sub-state, locally-elected, governments) to succeed. Such boosterism operates at all levels of the economic system. The globalized economy is managed through a network of ‘world cities’, for example, which are now structured in a clear hierarchy (Taylor, 2003).

In this aspect of globalization, too, the spatial and temporal electoral constraints identified here present considerable barriers to state action. If, for example, a government wishes to promote the interests of a particular city internationally in order to attract investment, it may well have to focus spending there, to the apparent detriment of others. Electors outwith that favoured place may believe that they are subsidizing it, that their taxes are being directed at promoting the interests and well-being of fellow-citizens elsewhere;32 the counter-argument is that development in one part of a state’s territory will ultimately benefit citizens elsewhere – the ‘trickle-down’ case that has long sustained policies of polarized development. In the end, for example, it is claimed that ‘what is good for Sydney, is good for the whole of New South Wales, indeed the whole of Australia’, since if Sydney is not a successful world-city economic slowdown will almost certainly eventuate there with implications for the rest of the country (see O’Neill and McGuirk, 2005).

Whatever the validity of such an argument – and the ‘data’ on which it is based – it clearly encapsulates the temporal and spatial constraints to state action highlighted here. In the long-term all may benefit, but in the short-term resources are being directed away from some places to the (potential) benefit of others. For politicians representing the former places, defending such policies to protect their electoral futures may be difficult and if they fail they may not suffer alone. Their electoral defeat may mean national electoral defeat for their party, and the possibility of losing power may act as a brake on policies to promote polarized development. To some extent, therefore, the longer-term goal may be sidelined to cater for short-term electoral gains with, perhaps, a wider distribution of resources than could be justified in economic terms alone.
If governments fail to act in this way, the result may be spatially-polarized political programmes, with the development of local coalitions whose goals are to promote their interests over those of other parts of the state’s territory (a form of geopolitics clearly set out in Harvey, 1985). This happened in India in 2004. The BJP government sought re-election on the basis of the success of its economic policies which had generated substantial growth and prosperity – what it termed ‘shining India’. But those outcomes were spatially concentrated, and the populations of many areas – especially rural districts and those distant from the main metropolitan centers – claimed that they were not benefiting. The Congress party mobilized that support, and won the election (Oza, 2004). 33

Uneven Development, Neo-Liberalism and Neo-Imperialism

This essay’s core argument is that the temporal and spatial electoral constraints on governments in states with representative democratic institutions can lead them to implement policies that impede neo-liberal goals. Those constraints are much more likely to impact some governments than others, however; those of the most powerful states economically are likely to be most affected by them and to act against the neo-liberal agenda.

That agenda is associated by some with a nascent neo-imperialism, with the world’s hegemonic economic powers – in which the US predominates – imposing their agenda on weaker others, who have little option but to accept the stronger states’ demands. This is not because those powerful countries directly force restructuring on other governments, but rather because their agenda has been adopted and implemented by international agencies – such as the World Bank, the International Monetary Fund, and the World Trade Organization – which they dominate. 34 The United States is thus, in Mann’s (2003, 70) words, a ‘backseat driver’, but nevertheless a very effective one. 35

Peet’s (2003) analysis of those three organizations portrays them as making common cause since the 1990s in the creation of globally-applied neo-liberal economic policies. That common cause is realized through a hegemonic discourse in which bureaucratic, economic and political actors interact (with academic and media actors influencing them from the ‘sidelines’). The US Treasury Department has been particularly important in those interactions, creating a ‘Washington-Wall Street Alliance’ in which giant corporations (especially New York investment banks) are particularly influential because of their indirect impact on senior appointments to Treasury Department positions. The US representatives on these ‘global governance’ bodies are extremely powerful, because voting rights are linked to economic power: in the IMF, for example, votes are tied to the number of Special Drawing Rights (potential claims on the country’s currency) subscribed, which gives the United States 371,743 votes (17.14 per cent of the total: Japan has 6.95 per cent, Germany 6.01 per cent, France and the UK 4.96 per cent each, whereas China and India – the two most populous countries – have 2.95 and 1.93 per cent respectively, with China’s percentage equivalent to Canada’s). Only the US, Japanese, German, French and British members of the IMF Board vote for their country alone: other members vote for groups of 7 or more countries, and there are complex formulae determining the relative power of each country in determining how each bloc’s votes are cast. 36 (For

Each of the 147 member-countries has a vote in the World Trade Organization, but within that body the distribution of power is far from equitable. In an analysis of the conduct of the Ministerial Conference at Doha in November 2001, Jawara and Kwa (2004, xv; their emphasis) conclude that ‘developing countries were bullied and coerced into acquiescing into an ‘agreement’ with which most of them profoundly disagreed’. This ‘bullying and coercing’ was conducted by the Quadrilateral Group (generally known as the ‘Quad’) within the WTO, comprising the US, the EU, Canada and Japan. These four countries coordinate and orchestrate meetings outside the formal agenda, thereby, through a variety of ‘divide-and-rule’ strategies, ensuring that their interests – and those of the multi-national enterprises who lobbied them – prevail. Aided and abetted by the WTO secretariat (itself dominated by staff from Quad countries), this has resulted in the rich countries pursuing their ‘narrow, short-term mercantilism rather than the long-term interests of the world economy as a whole’ (p. xiii).

Elected governments pursue policies perceived as likely to result in their re-election – to the extent that external influences allow. In the relatively powerful countries of the ‘developed world’ those external influences are often cited as reasons for economic trends over which governments claim they have little or no control, thereby seeking to deflect criticism of some of their policies. Most of those governments have much more (potential) influence over economic events and trends within their sovereign territories, however, than have governments charged with managing the economies of countries containing the majority of the world’s population, where daily living standards are much lower. Such a situation has stimulated considerable criticism of the institutions promoted by developed-world countries in order to sustain the neo-liberal agenda – as with the protests at various ‘world economic summits’.

The imposition of economic restructuring packages on countries as a prerequisite for aid and other assistance may be resisted there, along with the general neo-liberal rhetoric of globalization. Such resistance is often difficult to sustain, however. For example, Brazil in 2002 elected a left-wing President (Luiz Ignacio Lula de Silva) determined to resist such external pressures but he soon felt impelled to introduce the sorts of cuts in welfare and other programs associated with the ‘Washington consensus’ (on which see Santiso, 2004). In Venezuela, however, the incumbent President (Hugo Chavez) promoted ‘left-wing’ policies, which meant that he was challenging not only the policies of international agencies but also the interests of groups within Venezuela associated with global rather than national economies – notably the oil industry. The result was considerable civil strife, the deposition and then reinstatement of Chavez, and a recall referendum which kept him in power. Whether he and his country can resist the neo-liberal agenda for long remains moot, however – a conclusion that also applied to other Latin American countries (Bolivia, Chile, Ecuador, Peru) that have elected government opposed to the neo-liberal agenda.

A possible strategy for countries feeling disadvantaged by globalization is to ally themselves against the hegemonic powers of capital and the ‘developed world’. Brazil, China, India and Russia deployed such a strategy, with apparent effect, in the
final ‘Doha Round’ negotiations in Geneva during July 2004 over World Trade policy. Its outcome would, it was widely predicted, lift as many as 200 million people worldwide out of poverty, and yet the agreement was not about action, only to talk about action. Tangible benefits are unlikely to emerge for at least a decade: as The Economist (7.8.2004, 11) expressed it, ‘By itself, the Geneva deal will not lower any tariffs or cut a single subsidy. It does not imply the end of the Doha round negotiations, or even the half-way point of real horse-trading. At best, it marked the end of talks about how to negotiate – and in important areas, such as cutting industrial tariffs, it did not even do that’. There was a general commitment to scrap export subsidies and credits, to cut trade-distorting domestic subsidies, to reduce tariffs and to eliminate state trading organizations: but as The Economist said (7.9.2004, 67; our emphasis) ‘the rich have promised a 20% cut in the year after the Doha round comes into effect (whenever that is)’.

But obtaining consensus and then sustaining compliance with agreements may not be easy within the ‘third world’, as governments seek to promote local interests over more general goals – and they, too, are increasingly democratically accountable. Within the Asian Free Trade area (AFTA), for example, despite some tariff reductions trade amongst its members has increased no faster since 1993 than trade with the rest of the world. Several governments of the six founding member states (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand; Cambodia, Laos, Myanmar and Vietnam joined later) have not reduced tariffs on selected industries – Malaysia on cars produced by the state-owned firm Proton, for example and the Philippines on petro-chemicals – and certain products (notably rice) were excluded entirely. Indeed, estimates reported in The Economist (31.7.2004, 51) suggest that only 5 per cent of all trade among the member countries takes advantage of the Common Effective Preferential Tariff – to a considerable extent, it was claimed, because of bureaucratic difficulties in claiming the concessions. At least two member states – Singapore and Thailand – were said to be putting more effort into developing wider markets than in sustaining AFTA and growth in trade among the Association of Southeast Nations (ASEAN) ten countries has been less than the increase in their exports to the rest of the world (The Financial Times, 26.11.2004, 19).

Removing the Democratic Constraint

A general theme presented here is that the spatial and temporal constraints within which politicians work – at least in the ‘developed world’ – mean that they are unable to promote the neo-liberal globalization agenda as much (or as rapidly) as business interests might wish. And yet, as already noted, increasingly all political parties seeking power within those countries recognize the need to promote that agenda.

One way to do that is by operating outside the democratic forum, if feasible. (Gritsch, 2005, calls this ‘soft geopolitics’ and ‘diminished democracy’.) A good example is provided by monetary policy. The US Federal Reserve System was established by Act of Congress in 1913 to ‘furnish an elastic currency, to afford means of discounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes’. Its seven Governors are nominated by the President and approved by the Senate, for fourteen-year terms, with the same system used to identify a Chairman and Vice-Chairman from among the Governors. The seven Governors are then outwith political control, forming a majority of the twelve-
member Federal Open Market Committee (the other five are selected from among the Presidents of the various Federal Reserve Banks, who serve – with the exception of the New York President – for single-year terms only). They use three instruments – open market operations, the discount rate and the reserve requirements – to determine US monetary policy which, as the System’s website describes it, ‘trigger a chain of events that affect other short-term interest rates, foreign exchange rates, long-term interest rates, the amount of money and credit, and, ultimately, a range of economic variables, including employment, output, and prices of goods and services’ (http://www.federalreserve.gov/fomc/).

A similar system now exists in the United Kingdom, following the decision of the country’s Labour government almost immediately after being elected to office in May 1997 to transfer control of interest rates to the Monetary Policy Committee of the Bank of England. This was done, according to statements at the time, to take the setting of interest rates – and all the consequences which flow from that – out of the political arena, and so ensure that monetary policy decisions are taken in what can be presented as the interests of the economy as a whole rather than the short-term electoral and political interests of the party in power (though they can have implications for those, as with changes in the housing market). Those decisions are taken by a Committee of nine, four of whom are appointed by the Chancellor of the Exchequer. Like the comparable situation with the Reserve Bank of New Zealand and the European Central Bank, the Bank of England’s policy objective is to deliver ‘monetary stability’ by meeting a target rate of inflation, currently set at 2% per annum.

Transferring control of monetary policy to a central bank is just one example of the important ways in which governments (in the ‘developed world’ at least) can move economic and other agenda items outside channels of democratic accountability, and therefore promote the interests of the capitalist fraction of society rather than those of bodies whose main influence on public policy comes through occasional visits to a polling booth. In such ways, although democracy remains a constraint on pursuit of the neo-liberal agenda, the balance can be shifted away from the ‘non-capitalist fraction’. The range of actions over which governments are required to balance the tasks of promoting capitalist reproduction and guaranteeing social integration is thus narrowed. Governments can claim that certain tasks are being performed by ‘expert’ others over whom they have no control and who are thus not subject to arbitrary political whim but are rather pursuing them ‘in the general interest’ (see also Harvey, 2005).

Other examples of policies undertaken to circumvent the democratic constraint – which in many (most?) cases means privileging the claims of capital over those of labour – include the creation of common markets (such as NAFTA) and wider economic unions (such as the EU) which enable investors to shift production to low-wage areas and enable the import of cheap labour – though, as discussed above, these may be contested within a state and stimulate political-electoral responses. Similarly, Notermans (1996) has argued that state monetary policies aimed at tackling inflation through exchange rates and controls over international currency movements can favour capital at the expense of labour: allowing the free movement of capital and a devaluation of the local currency can seriously impact upon the latter, as experienced in New Zealand in the 1980s.
Conclusions

Globalization, according to its proponents, does not have the negative impacts claimed by those who argue against the neo-liberal agenda. It does not accentuate poverty; it does not worsen the plight of women in developing countries or sustain the use of child labour there; it does not erode local cultures, lead to environmental degradation, or undermine democracy (Sheppard and Nagar, 2004). Instead, as Bhagwati (2004) claims, its agenda, if and when fully implemented, will achieve the exact opposite. All will benefit, and none will be able to resist: it is, according to a former head of the WTO, ‘a force that is anyway beyond their direct control’ (Moore, 2003, 16)

That neo-liberal agenda is promoted as key to universal prosperity and governments are pressed – by advisors and others – to introduce policies that will advance it. Some governments have been convinced and have implemented such policies. Many more do so because they are, in effect, bribed to by economic neo-imperialists working through international financial institutions. But in the small minority of countries which have the greatest power to resist the pressure, the agenda is sometimes more respected in the rhetoric than the practice when its own interests suggest alternative policy directions. In such countries – basically those in the ‘developed world’ core spanning the North Atlantic – neo-liberal goals may be subordinated to others which are, in effect, more self-seeking for the governments concerned, though they are usually defended as being in the (short-term at least) interests of the country as a whole. In such circumstances, globalization is delayed, and short-term, spatially-focused, protectionist policies prevail as illustrated here with respect to labour movement, production subsidies and the ‘offshoring’ of jobs.

The rationale for this short-termism is electoral. The prime purpose of any elected government is to ensure its own re-election, a goal which introduces significant temporal and spatial constraints to its actions. Policies that might have short-term deleterious impacts on the well-being of substantial groups of voters may be avoided, especially if those impacts could be felt in the period preceding an election, and particularly so if they will effect people concentrated in key spatially-defined constituencies. Such failures, according to Moore (2003, 41)

… have been caused by bad governance, lack of transparency and the short-sightedness and greed of business and political leaders. Progress can be stalled, we will experience new shocks in old clothing, but the historic trend line must make us optimistic.

For Moore, these aberrations will fall to ‘the self-correcting advantages of democracy’. But many government actions are taken to promote their re-election chances, which are geographically-structured within their national territories and are not globally ‘self-correcting’. Furthermore, that geographical structuring of their internal representative democracy is linked to many of their international actions: protecting their electoral heartlands at home strongly influences how they play away.

As Massey (2005) has argued, illustrated in the quotation at the start of this essay, the concept of globalization is associated with calls for freedom which imply that space should be unbounded. But states that promote globalization often bound rather than unbound their territories: they promote ‘the imagination of defensible places, of the
rights of ‘local people’ to their own ‘local places’, of a world divided by difference and the smack of firm boundaries, a geographical imagination of nationalisms’ (Massey, 2005, 86). This deployment of territorialization strategies reflects certain constraints on state action – which are themselves spatially bounded. Short-term considerations associated with electoral concerns (which are spatially as well as temporally structured) are drawn upon to justify policies that impede the long-term goals of freedom of movement for all factors of production and trade. Those controlling the state apparatus put the local before the global, and thereby the short-before the long-term.

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Notes

1 The core of this ‘doctrine’, as promoted in the United States, has recently been crystallized as the ‘Washington Consensus’ (on which, see Williamson, 1999)


3 Harvey (2005) goes further and sets the two up as a binary pair of ideal types: the neo-liberal state is associated with the second task and the social democratic state with the third.

4 Notermans (1996) writes explicitly about social democracy, but does not discuss its operations, let alone its fundamental geographical constitution.

5 Recent developments towards the centralization of power in Russia indicate that such a development is not confined to relatively underdeveloped countries.

6 Ideology has played major roles at certain times in American political history, not least in the last five years with the growth of the neo-Conservative, religious right.


8 There are considerable debates regarding the ‘death’ of class voting and its replacement by issue-based, responsive voting: see Evans (1999).

9 The upper houses of many legislatures have longer periods of office – for life in some cases, such as the UK House of Lords – but few have more than residual power, and those that have more tend to be the ones subject to relatively frequent election, such as the US Senate.

10 There are also issues in some states, where the legislature is not sovereign, regarding the separation of powers between various arms of the state apparatus – basically, the executive, legislature and judiciary.

11 Of course, a potential danger can be marginalized by excluding a latent radical element from the electorate – which is what occurred with blacks in the southern United States for over a century after the Civil War, despite the passing of the 14th Amendment to the Constitution.

12 And it is very likely that those who suffer are predominantly in the ‘working class’: for an excellent analysis of policy in this context, see Westergaard and Ressler (1975).

13 A leaked report commissioned by the UK Conservative party in 2004 suggested that only applicants with annual incomes in excess of £25,000 should be allowed to settle in the UK; they would have to demonstrate that they had a ‘good university degree’ and would be ineligible for state benefits (The Sunday Times, 5.9.2004, p. 4; The Financial Times, 7.9.04, p. 5). The policy was announced – without details of the points system – is a speech by the party leader on 22.9.04 as well as in a policy announcement on 23.1.2005 (http://www.conservatives.com/news/article.cfm?obj_id=115780). For the UK government’s currently proposed points-based immigration system see http://www.workpermit.com/news/2006_03_07/uk/government_reveals_immigration_points_system.htm
Indeed, the UK ‘popular press’ carried ‘scare stories predicting massive influxes on accession day, and ‘reporting’ block bookings of planes by agents for such expected migrant workers.

On arguments regarding the impact of immigration on wage levels, see the papers (discussed in The Economist, 8 April 2006, p.86) at www.economist.com/finance.

Mr Blair was also quoted as saying that ‘We will neither be fortress Britain, nor will we be an open house’ (The Times, 28.4.2004, 2). Official estimates suggest that 300,000 migrants entered the UK form the new-acceded countries in the first year (Dench et al, 2006)

As with proposals in the US not only to make illegal immigration a felony but also to make it a crime for others to assist illegal migrants and build a wall along much of the US-Mexico border – the Bensenbrenner-King bill (see http://www.immigrationforum.org/documents/PolicyWire/Legislation/SenseKingGlance.pdf.)

An interesting insight to the importance of migrant labor to their home countries is the claim that their remittances – estimated to be US$93billion in 2003 by the World Bank – exceeded what those countries received in either aid or capital investment (The Economist, 31.7.2004, 70).

An alternative argument is that setting minimum wage levels will accelerate the flight of jobs to lower-cost locations – although there is little evidence that this was the case after the UK signed the relevant EU directives (the so-called ‘social chapter’) and introduced its own minimum wage: similar arguments are made in the US, where minimum wage-levels have been introduced by Democrat administrations in some states (Io, 2004).

The Confederation of British Industries claimed in November 2004 that ‘the benefits of off-shoring outweigh the drawbacks … the process will increase productivity, profitability and economic growth’ and suggested that this will continue, making the UK a predominantly highly-skilled labour force economy (http://www.cbi.org.uk/ndbs/press.nsf/o363c … 8.11.2004).

Interestingly, industry analyses find little evidence of widespread loss of call-center jobs from either the US or the UK, and indeed show that some Asian companies were outsourcing IT and back-office work to the US (The Economist, 29.5.2004, 67); on the other hand, another industry source – Forrester Research – was reported as estimating that the EU would ‘export’ one million jobs over the next decade, one-quarter of them from the UK (The Financial Times, 16.8.2004, 8). Schultze (2004) argues that, contrary to ‘conventional wisdom’ the US ‘jobless recovery’ of 2000-2003 was not a result of off-shoring but rather major increases in worker productivity, even though he estimates that in business, professional and technical services alone this involved a net loss of 155-215,000 jobs over the four-year period : he concluded that ‘offshoring, and more broadly import competition, while clearly having an important effect on some industries, workers, and communities, were not significant causes of the “jobless recovery”’ (p.8).

This is an excellent example of the prisoner’s dilemma. Within a neoliberal framework, if one corporation – a supermarket chain, perhaps – is cheaper than others, then to compete the others have to reduce their costs, for which outsourcing is a good solution. So outsourcing continues (with negative impacts for local workers.) If it was restricted, the cost-cutting ‘arms race’ might not be terminated, but it could be constrained.

As, for example, John Kerry did throughout 2004 in his campaign for the US Presidency. On the wider implications for trades unions, see Glassman (2004) and Moses (2005).

There were counter-implications, however, such as the decline in trade at the port of New Orleans, through which much imported steel entered the US. In some situations a government cannot win! US trade unions claimed that Chinese manipulation of wage rates and currency markets was disadvantaging American producers, but the Bush government declined to act on such claims within the World Trade Organization rules – and thereby allowed his presidential challenger, John Kerry, to claim that he, unlike Bush, would ‘fight to keep US jobs in America and I’m not going to sit idly by when China or any other country pursues policies that hurt our economy’ (The Financial Times, 30.4.2004, p.10). The Bush government’s counter-argument stressed the long- rather than the short-term, claim that American exports to China had increased by 76 per cent over the previous three years, thus contributing substantially to job-creation and -protection. Two of the states – Ohio and Pennsylvania – were crucial ‘swing-states’ on which the result of the 2004 Presidential election hinged.

Such policies, as Glasmeier et al (1993) indicate, have been used to promote political as well as economic US goals: the Caribbean Basin Initiative, for example, not only protected some of the interests of the US textile and apparel industry but also advanced US geopolitical gaols involved with the building of US hegemony in the region.

Such pork-barreling is more common in the US because of the role of its legislature in the allocation of federal moneys, and especially the power of individual Senators and Representatives on key Congressional committees, than is the case in the UK. (See Johnston, 1983.)
Brazil had asked the WTO to declare these subsidies illegal. Under the WTO’s ‘Uruguay Round’ negotiations, countries agreed not to file complaints against other countries’ subsidies, so long as those subsidies did not exceed their 1992 levels. Brazil claims that the USA has violated that agreement, and *The Economist* (1.5.2004) reported that the WTO might have upheld that claim in an unpublished decision, though it was unclear to what extent that would affect all forms of US subsidy for cotton farming. *The Financial Times* (6.8.2004, 9) reported an estimate from the International Cotton Advisory Committee that if cotton subsidies were entirely abolished, production could fall by 90 per cent in the EU and one-third in the US.

According to *The Economist* (5.6.2004, 10) OECD figures suggested that EU agricultural subsidies represented a tax of US$646 per annum on every household in the 15 member countries prior to the accession of ten more in 2004. In the US, the figure was US$366 per household, whereas in Japan – ‘the champion food-taxer’ – it was US$1000.

This is not an isolated example. The *African Trade and Development Act 2000* limits duty-free imports of apparel made in Africa to products made with US yarn and fabric, if those are available (see Mandle, 2003).

Other lobbyists are similarly successful. The US Southern Shrimp Alliance claimed that six countries were illegally dumping shrimps on the American market. The Federal International Trade Commission accepted the case that this was damaging the domestic industry – prices of shrimp fell by some two-thirds in Louisiana over a four-year period – and tariffs of 93.13 and 112.81 per cent were placed on imports from Vietnam and China respectively (*The Economist*, 10.7.2004, 44). As a result, it was estimated that the price of shrimps in the US would rise by 44 per cent.

such arguments are regularly presented against large investments in infrastructural projects associated with major events – such as the Olympic Games – whose proponents argue that the new facilities will stimulate economic growth: the Greek government incurred a debt of some $8billion, for example, in order to stage the 2004 Olympic Games, which probably meant that its debt exceeded the limit allowed under the EU’s Stability and Growth Pact associated with the introduction of the Euro as a common currency.

Although Oza’s (2004) interpretation of the election result is largely consistent with that presented here, that it represented a ‘rejection of neoliberalist policies of reform that largely ignored the plight of the poor’ (p.637) is probably an over-statement, in that it assumes a more sophisticated, better-informed electorate that was almost certainly the case: the poor rejected the BJP governing party because it had not delivered for them, but were probably entirely agnostic as to whether those policies were neoliberal.

On pressures within the WTO from the OECD countries to prevent the development of offshore financial centres – and their impact on tax collection – see Vlcek (2004): their rapid growth is much facilitated by developments in information technology (Herrera, 2002).

US economic policy is also linked to its foreign policy: the *African Growth and Opportunity Act 2000* contains a clause requiring recipient governments not to oppose American foreign policy, which was used when seeking allies for the invasion of Iraq in 2003. Other governments have acted in similar ways. In the 1990s, for example, the New Zealand government made continued aid to the Cook Islands contingent on major changes in that island state’s welfare system: large cuts in education and other programs were the result, along with reductions in public sector salaries.


The voting structures of the IMF and the World Bank have been the focus of much debate: see, for example, Buira (2002), van Houtven (2002) and Woods (2001).


The MPC’s website notes that ‘However the legislation provides that if, in extreme circumstances, the national interest demands it, the Government will have the power to give instructions to the Bank on interest rates for a limited period’ (http://www.bankofengland.co.uk/mpc/).

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