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The Governance Agenda in Long Term Perspective: Globalisation, Revenues and the Differentiation of States

Mick Moore
October 2011

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The Governance Agenda in Long Term Perspective: Globalisation, Revenues and the Differentiation of States

Mick Moore

Summary

The governance-and-development agenda that has dominated thinking since the collapse of the Soviet Bloc is fast losing credibility. It continues to be associated with a set of countries, ideas and experiences – the ‘West’ – that no longer enjoy global leadership. It has not usefully identified the role of governments in promoting economic growth. And it takes little account of the ways in which states are changing. The growing influence of the BRICs and other emerging powers is now widely appreciated. This paper explores the ways in which late twentieth century globalisation is bringing about more subtle changes in the political constitutions of states that may have considerable implications for the ways in which we are governed and the actions that may be needed to reduce the incidence of bad governance. Contrary to widespread expectations, globalisation does not necessarily lead states to become more like one another, or to converge around the ‘Western’ model of liberal democracy and market capitalism. It also leads states to compete with one another. To the extent that they compete by seeking alternative sources of revenue, this may lead them to diverge politically. The concept of *political revenues* – the incomes that governments and political elites obtain through the exercise of political power – is central to the analysis. One of the consequences of late twentieth century globalisation is that, in some countries, opportunities for political elites to gather (illicit) *elite political revenues* have expanded considerably. This helps explain why *fragile states* have become a normal feature of the global system. A more widespread consequence is that states enjoy a range of new non-tax revenues in addition to ‘normal’ tax revenues. This has significant implications for the accountability of governments to citizens.

Keywords: governance, state, globalisation, revenue, fragile state, drugs, oil.

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Introduction

Two decades ago, immediately after the Soviet Bloc fell apart, leading statesmen from Western countries made a series of high profile statements about the centrality of 'good governance' to the development prospects of poor countries. OECD donors, who at that point were almost the sole source of development aid, began to link their money to governance reforms. The governance-and-development agenda – henceforth 'the governance agenda' – was born.¹ It was a geo-political phenomenon, rooted in part in a kind of Western triumphalism following the collapse of the Soviet Union and of the credibility of central economic planning. But it was also in part constructed by development professionals to reflect interpretations of the recent experiences of sub-Saharan Africa in particular (Lancaster 1993), and was based on four broad assumptions (or assertions) about development. First, for (largely unexplored) reasons, developing countries, especially in Africa, suffered from bad governance, that in turn largely explained their failure to rise out of poverty. Second, there was a set of governance institutions and practices that, if judiciously chosen and adopted in poorer countries, would expand the supply of a number of good things simultaneously – more tolerant, accountable and democratic rule, more effective public institutions, and faster rates of economic growth. Third, those improved institutions and practices would be identified mainly from within richer countries. Fourth, richer countries, especially as represented through their aid activities and their consultancy companies – and in alliance with reformers within developing countries – would have the prestige, authority and capacity to stimulate significant institutional reform.

Opinions on the governance agenda have been diverse. It has been viewed as misconceived or as commonsense; and as neo-colonial and arrogant or as progressive and bold. Whatever the truth about the competing claims, it was certainly ambitious. It placed some rather prominent hostages in the hands of fortune. They include in particular (a) the claim that the adoption of the right kinds of reforms would accelerate rates of economic growth; (b) the assumption that the liberal democratic institutions of the West would (continue to) enjoy unmatched prestige elsewhere in the globe; and (c) the expectation that the West could use the aid relationship to support radical institutional reform. These expectations were not nonsense in the early 1990s, when the Soviet Bloc had just collapsed; the recent economic performance records of Africa and Latin America were dismal; popular pressures for more democracy were being felt by the one party, dictatorial or military regimes that ruled most of Africa; the Japanese economic miracle was coming to an abrupt end; most of the old industrial economies were performing modestly well; the market-centric policy ideas labelled neo-liberalism were in the ascendant; and the main institutions of global economic governance were firmly under the control of the OECD nations. The world of 2011 is a very different place. Most evidently, the prestige and power of the West have declined appreciably. The OECD economies are not only among the most sluggish in the world, but the economic policies of their governments are clearly the major cause of what might still become a 'double dip' global recession. American electoral politics have become so dysfunctional that the capacity of any American government even to manage its own economic problems is seriously in doubt. Similar concerns have generated a rolling sovereign debt crisis in Europe. The G8 has become the G20, which includes Argentina, Brazil, China, India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, South Korea and Turkey. It is the turn of the Chinese government to lecture the Americans about economic mismanagement. Relative to the waves of democratisation in Latin America and the Soviet Bloc in the 1980s and in Sub-Saharan Africa in the 1990s, the Arab Spring of 2011 had less direct Western inspiration or support, and was to some extent directed against Western-supported rulers. Democracy is increasingly separable from Western values or culture. There is much talk of the rise of the BRICs (Brazil, Russia, India, China) and of a range of other

¹ For analysis and commentary on how that agenda appeared at the time, see Moore (1993).

middle level powers – several of whom are developing large aid programmes – and of how China is in various ways out-competing the West in Africa and elsewhere. Rather than using aid for policy leverage, the more traditional aid donors increasingly have to seek out governments willing to accept their money. There is a skeletal new consensus about development policy that owes little or nothing to the experiences or advice of the West (Birdsall and Fukuyama 2011). In particular, programmes for regular government cash transfers to poor families, which are rooted mainly in Latin American experiments, are spreading steadily within poor countries (Gelb and Majerowicz 2011). Phrases like ‘South-South learning’, that once seemed wishful pieties, now have substance.

It is not only the declining power and prestige of the West that has undermined the old governance agenda. It is now clear that the agenda was wrong in relation to the issue on which governments of poor countries tend to focus most: economic growth. The strongest claim was that reforms in accountability, the constitution, the policymaking process, public expenditure management, the investment climate, or the law and the judicial system were essential to improved economic performance. The underlying theory was always suspect.² It is now evident that there are no reliable correlations between rates of growth and measures of the quality of governance.³ Improvements in the kind of processes measured in the World Bank’s World Governance Indicators – voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption – are welcome events likely to make life more tolerable for many people. But they will not directly make them wealthier. The economies of most poor countries are currently performing well. But, insofar as we can identify a reason, it seems to lie mainly in high international prices for their commodity exports. The deeper causes of inter-country differences in rates of economic growth remain as puzzling as ever.

In sum, the old governance agenda is fast fading. It has already in part transmuted into a security agenda: the involvement of richer countries in the governance of the poorest parts of the world is increasingly being justified as a means of suppressing sources of terrorism, piracy, drug production and smuggling, arms proliferation and trading, disease, and people trafficking. But the redefinition of the problem on the part of the rich world does not mean that the underlying governance problems have gone away. While we should be sensitive to bias in the ways in which the issues are defined and labelled, we cannot escape the fact the old governance agenda did arise in part from some appalling failures and abuses of authority within poor countries. Those problems persist, and other governance challenges have become more evident in much of the rest of the world. A number of OECD governments lack the political authority to manage their own economies and treasuries in a responsible way. Much as we might admire the performance of their economies and some of their policy innovations, the BRIC countries are in no sense alternative models of good governance. Democratic Brazil and India are mired in corruption. The Chinese and Russian regimes find it very hard to deliver on their side of the bargains they have imposed on their populations: security and effective developmental governance in exchange for authoritarian rule. Although the Chinese Communist Party has exhibited an impressive capacity to adapt to and direct change, there is a significant possibility of political instability in the medium term.

It is likely that future debates about issues of governance, whether within poor countries or globally, will be framed in less polar terms than in recent decades. We will no longer start with the expectation that there is a distinct set of problem countries (*failing* or *weak states*, or even developing countries generally) in need of external attention or intervention and another set of fortunate nations ready with solutions. What else might we be concerned about in

² Dani Rodrik has been particularly influential in his criticism that the governance agenda places too much weight on the form of institutions and not enough on the functions they perform. The one cannot always easily be read off from the other (Rodrik 2005).

³ Of the many published critiques of the governance agenda, I find Andrews (2008) especially insightful and useful.

discussing governance the year after next? I suggest in this paper that the underlying pattern of states and public authority might be changing more fundamentally than is generally appreciated. It is not simply, as is now widely understood, that (a) as new powers are emerging, the world is becoming multi-polar and (b) institutions of global governance are gradually, if haphazardly, expanding their remit. I suggest that, contrary to most expectations, globalisation may be leading to more differentiation than convergence in forms of national governance. I focus on those differentiation processes that are driven by changes in sources of what I term *political revenues* – the incomes that governments and political elites obtain through the exercise of political power. To date, the processes of differentiation have been most evident in the poorer parts of the world. To a significant degree, they explain the recent emergence of the phenomenon of failing or weak states. But the differentiation processes are more widespread, and contribute to another phenomenon that should concern us: the growing extent to which governments are financed from non-tax revenues. As I explain further below, when governments have opportunities to raise significant revenues without the need to interact or negotiate with their taxpayers, their accountability and commitment to the common good are at risk.

In Section 2, I review the scholarly literature on the effects of globalisation on states. It has been unduly focused on OECD (or advanced capitalist) states and on the questions of whether they have lost power to markets and how they have adapted to the increased economic competition associated with globalisation. The prevalent notion that globalisation has contributed to convergence around a particular type of state able to deal with this competition leaves the impression that globalisation tends to breed political convergence. But some basic theory suggests that we should also expect divergence. Before presenting my hypotheses about the ways in which globalisation might be differentiating states (Section 5), I first present the understanding of the political economy paradigm that underpins my work – fiscal sociology (Section 3); and then summarise those features of late twentieth century globalisation that are most relevant to understanding its effects on public authority in the poorer parts of the world (Section 4). The core argument about the new sources of *political revenues* generated by late twentieth century globalisation, and their effects on states, is in Section 5. Section 6 concludes.

1 The debate on globalisation and public authority

I use the term globalisation in its most general sense to refer the increasing frequency and intensity of interactions across different parts of the globe (Scholte 2000). There is broad agreement among scholars that a period of globalisation in the late nineteenth and early twentieth centuries was followed by an era of retraction and nation-centricity that lasted from World War One until approximately the 1960s. That was succeeded by a further period of intense globalisation that can in most respects be dated from the 1960s and 1970s. Let us label it the *late twentieth century globalisation*. Some of its most visible manifestations are: the rapid expansion of international trade, fuelled in part by the containerisation revolution (Levinson 2008); the even faster growth of transnational capital movements; and the enormous improvements in long range communications consequent on the marriage of telephony and digital technologies. The process continues, albeit in modified forms. So too does the scholarly debate on the impact of globalisation on states and on public authority. Although that literature is large and diverse, it is possible to provide a brief, useful summary without resorting to caricature.

There is a common point of departure for this debate about the impact of late twentieth century globalisation on states: an image of the typical OECD state at the starting point, in

the middle of the twentieth century. Its defining characteristics include (a) the rooting of political and military institutions in individual countries; (b) the attribution of a distinct nationality to most economic enterprises, including those operating transnationally; (c) the continued orientation of states to inter-state military conflict and to the possibility of large scale inter-state warfare; (d) major legitimating roles for mass membership parties in the political realm and, in the administrative realm, for distinctive, centrally-controlled, accountable Weberian state civil and military apparatuses; and (e) the dedication of significant state resources to popular welfare (the 'welfare state'). This was taken as the typical state on which globalisation was to impact.

What was that impact? There seems to be less scholarly agreement now than earlier. The pioneer scholar, and in many respects the founder of the discipline of international political economy, Susan Strange (1996), was known and cited above all for the argument that globalisation was empowering international markets and international market actors at the expense of governments and political institutions generally. That broad proposition remains popular, but has been challenged in two main ways. One set of scholars emphasise counter-trends: the ways in which the increasing importance of transnational economic transactions might actually increase the size or power of the state (Cameron 1978; Rieger and Liebfried 1998; Rodrik 1998; Weiss 2005).⁴ The other challenge, the 'transnationalisation thesis' (Orenstein and Schmitz 2006), is less direct. Its proponents emphasise what Weiss (2005) calls 'entwinement', i.e. the ways in which political institutions and processes hitherto rooted in individual national states increasingly engage with, influence and co-construct one another, to the extent sometimes of creating a space for genuinely global policymaking and administration (Stone 2008)⁵ – and in that sense help protect political power from drowning under rising market forces.

My concern here is less with the empirical validity of these differing conceptions of the political impact of globalisation, and more with the ways in which arguments are framed, and the assumptions that are implied. A prominent theme in much of the literature is that, as the threat of large scale inter-state warfare has diminished and globalisation has intensified market competition, states have been focusing less on military competition with one another and more on economic competition. At least in the eyes of its most cited theorist, this new *competition state* (Cerny 1997) is forced to give priority to national economic competitiveness at the expense of welfare-ism. The proposition about declining welfare-ism seems overstated. And, as Palan *et al.* (1999) have argued, relatively inclusive, social democratic welfare-ism can be quite consistent with international economic competitiveness for some states. However, Cerny's contentions that it is international economic competition that is to a large extent driving changes in the political character of (OECD) states, and that those changes are similar from country to country, seem to be shared by a range of other theorists, including those engaged with a related, loosely-defined and variously-labelled set of ideas about changes in institutional configurations ('architecture')⁶ and in modes of rule that I will label *network state* (or *network polity*) theory.

The central proposition of network state theory is that the mode of exercising state authority is changing: away from one-way command-and-control type activities initiated from within the formal state apparatus ('Weberianism'), toward more two-way, informal, exchange relationships that cross formal organisational boundaries. The capacity of the benchmark 1950s OECD state was believed to have derived to a large extent from the financial and organisational resources that could be mobilised in command-and-control mode within the

⁴ See also Evans (1997) and Kahler and Lake (2004).

⁵ In which 'authority is more diffuse, decision making is dispersed and sovereignty muddled' (Stone 2008).

⁶ There is a parallel between the argument I am making here and Peter Evans' critique of what he terms the 'institutionalist turn' in social science. Just as classic (especially Marxian) political economy tended to emphasis the role of interests at the expense of an understanding of the role of institutions, contemporary institutionalism tends to err in the opposite direction (Evans 2007).

formal state apparatus. In the network state model, state capacity derives more from the strength of – and ability to mobilise – networks and connections within the state apparatus itself, across states, and between state and non-state actors. One characterisation of this difference, by one of the most convincing proponents of the notion of a networked polity, reads:

In the networked polity, states are strongly embedded in society and pursue their objectives by operating through networks of societal associations. Both state agencies and societal associations take the form of ‘network’ or ‘organic’ organizations – decentralized, team-based organizations with strong lateral communication and coordination that crosses functional boundaries within and between organizations. These organizations are then linked together by means of cooperative exchange relationships around common projects. The role of the state is to empower stakeholders and facilitate cooperation among them.

Organizations in the networked polity are network organizations: organic rather than mechanistic; heterarchical (many-to-many relationships) rather than hierarchical (many-to-one relationships); and built upon diffuse and/or social exchange rather than discrete and/or impersonal exchange. In the networked polity, as in policy networks, a multiplicity of organizations with overlapping jurisdictions engage in cooperative exchange rather than in competition.

(Ansell 2000: 303 and 308–9)

A range of other scholars writing on the evolution of the contemporary state make similar arguments that also focus on changes in the institutional architecture of the (OECD) state (Jayasuriya 2004; King and Lieberman 2009; Rhodes 1996).⁷ The concept of the *regulatory state* – a state that engages more in rule-making and less in taxing and spending (Majone 1997) – is a little different from the concept of network state, but is quite congruent, particularly in the emphasis on the relational capacity of the state to interact effectively with non-state actors.

Scholarship on the impact of globalisation on public authority has focused heavily on the richer and more powerful states, as if they constituted the norm and the template,⁸ and has implied that they are all tending to change in the same direction. But how plausible is that claim, conceptually or theoretically? I am employing the most general definition of globalisation: the increasing frequency and intensity of interactions across different parts of the globe. What would we expect to happen when any random external process brings into closer interaction a set of entities that have the potential both to compete among themselves for scarce resources and positions and to cooperate for collective benefits? Evolutionary biology and the social sciences, especially economics, suggest that we might expect conflicting consequences. On the one hand, these entities are likely in some respects to cooperate more with one another and, through processes that organisation theorists label isomorphism, come to emulate and to resemble one another more closely. The existing

⁷ The late Charles Tilly made a parallel but broader argument about the evolution of contemporary politico-economic institutions in a paper provocatively titled ‘Welcome to the Seventeenth Century’. Tilly suggested that we are moving away from the institutional configurations characteristic of twentieth century capitalism – defined by the complex relationships between relatively consolidated states and relatively bounded firms – toward the kinds of looser, less bounded institutions that were the norm in the seventeenth century (Tilly 2001).

⁸ Conversely, area specialists dealing with the poorer parts of the world, above all with sub-Saharan Africa, have tended to engage in particularistic debates that barely even acknowledge the potential impact of globalisation. The concept of the (neo-) patrimonial state has exercised a major influence in African studies in recent decades (Bratton and Walle 1994; Chabal and Daloz 1999). The core proposition underlying neo-patrimonial theory is that inter-personal relationships and linkages in the non-state sphere are so powerful and compelling that they overwhelm any attempt to create a distinct public institutional realm. Neo-patrimonialism is barely a theory about ‘the state’ at all. The concept addresses neither globalisation nor transborder phenomena of any kind: indigeneity rules almost completely. It fails to make the grade as a useful concept on a range of criteria, including consistency of use, verifiability, or correspondence to evidence (Pitcher *et al.* 2009; Therkildsen 2005).

literature on the implications of globalisation for states and public authority refers mainly to these kinds of homogenising processes. On the other hand, evolutionary biology also tells us also to anticipate contradictory processes: increased interaction among a set of entities is likely to intensify pre-existing competition among them for resources and positions, and therefore stimulate processes of niche-seeking, specialisation and differentiation. States are not biological entities. But they have many features of organisms, compete with one another for resources and positions, and are clearly capable of learning and adaptation.⁹ We should at least explore the extent to which globalisation might in some respects encourage differentiation. I do that in Section 5. But first, in Section 3, I explain the theory – the fiscal sociology paradigm – that leads me to focus on *political revenues* as key variables affecting these processes of state differentiation; and in Section 4 I summarise some key characteristics of late twentieth century globalisation.

2 The fiscal sociology paradigm and political revenues

The intellectual foundations of fiscal sociology go back to the work of Rudolf Goldscheid and Joseph Schumpeter a century ago. In recent years their ideas have been rediscovered, and typically are introduced with the quotation of a few purple passages. From Goldscheid:

.... the budget is the skeleton of the state stripped of all misleading ideologies
(Schumpeter 1918/1991: 100)

And from Schumpeter:

The fiscal history of a people is above all an essential part of its general history.

In some historical periods the immediate formative influence of the fiscal needs and policy of the state on the development of the economy and with it on all forms of life and all aspects of culture explains practically all the major features of events; in most periods it explains a great deal and there are but a few periods when it explains nothing.

Our people have become what they are under the fiscal pressure of the state.

(Schumpeter 1918/1991: 100–1)

In this incarnation, fiscal sociology constituted a set of broad assertions about the great political, economic and historical significance of fiscal variables. It is best viewed as a meta-theory about grand patterns of societal evolution intended to compete with the ideas of Marx and Weber.¹⁰ It was animated to a large degree by an aspect of the history of European states that fascinated Goldscheid and Schumpeter and has stimulated more recent historical research (Daunton 2001: 1–5): the evolution from rulers' fiscal dependence on domain revenues (i.e. income from their own properties) to dependence on broad general taxation. Goldscheid and Schumpeter considered the emergence of this *tax state* to be a defining feature of modernisation in Europe, key to the emergence of effective states, and an intrinsic component of the rise of bourgeois society and of democracy. The tax state – and its successor *fiscal state*, that was organised so that it could borrow heavily from private capital markets against assured future tax revenues – became so much the European and then the global norm that most contemporary social science, especially in development studies,

⁹ For some stimulating ideas on this issue, see Palan *et al* (1999).

¹⁰ Musgrave's review puts Schumpeter's work on the tax state into context in a very enlightening way (Musgrave 1992).

largely ignored the fact that some states are financed very differently, and that this may have significant consequences.¹¹

The strength of the fiscal sociology paradigm is that it inspires and focuses attention on variables that for much of the twentieth century disappeared almost entirely from political science and political economy.¹² The weakness of the original was that it lacked any explicit basis in behavioural theory: there are no behavioural micro-foundations, and no clear propositions to test. That is a remediable problem. In my view, a solid behavioural core to fiscal sociology is to be found in organisation theory: the proposition that the structure of complex organisations, and the behaviour and strategies of their managers, are influenced by the location of their key resources and the means they employ to access those resources (Pfeffer 1982; Pfeffer and Salancik 1978). That proposition can easily be extended to encompass those complexes of partially coordinated organisational networks that we call states. In recent years, a body of more explicit and testable propositions has begun to emerge, most of it from research relating to developing countries. There is now a substantial literature that explores the implications of the fact that, unlike virtually all OECD states for the past century and more, many states elsewhere in the world do not finance themselves mainly from general taxation, but depend on a range of other sources, most notably the rents from oil, gas and other natural resources, and development aid (Brautigam *et al.* 2008; Chaudhry 1989, 1997; Dunning 2008; Gervasoni 2010; Martin *et al.* 2009; Moore 2004, 2007; Prichard 2009, 2010a; Winters 1996). Insofar as there is a core proposition, it is that governance is better where the behaviour of political authorities is constrained by a need to negotiate and bargain for their key financial resources with the actors – mainly but not only taxpayers¹³ – who will be most affected by the ways in which these resources are used. Conversely, political authorities that enjoy revenue that does not have to be ‘earned’ politically are more likely to abuse their power (Moore 1998).

I define the fiscal sociology paradigm as the proposition that the sources from which public authorities obtain their revenues, and the ways in which they organise themselves to relate to revenue providers, exercise a major influence over politics and governance. We should not define ‘public authorities’ too narrowly. In many contemporary developing countries in particular, small elites, operating partly through state institutions, but to some degree autonomously, act as powerful gatekeepers between the outside world and their own economies and politics. In order to take adequate account of the incentives and opportunities they face in their inter-mingled private and their public roles, I make a conceptual distinction between two main categories *political revenues*, i.e. the material incomes obtained through the exercise of political power. The first are *state revenues*: the incomes of states or other legally constituted public authorities – from taxes, non-tax revenues, and grants from other states or international organisations. These revenues are almost always legal. The second category, that I term *political elite revenues*, accrues to non-state entities through their exercise of formal or informal political authority. They include the incomes that corrupt politicians, military men, public servants, warlords and gang-leaders obtain when they: cooperate in illicit drugs, arms or other trades; steal money from the public purse or the public through the misuse of authority; or take effective control of parts of the economy, levying their own political profits.¹⁴ Political elite revenues generally are illegal. In practice,

¹¹ It is not difficult to assemble long lists of books that deal with the recent politics and political economy of developing countries with barely a mention of fiscal and revenue issues. In relation to contemporary sub-Saharan Africa, Herbst (2000) constitutes an honourable exception.

¹² The contemporary policy issue that helped animate Goldscheid and Schumpeter’s work was whether and how the tax state and the capitalist market economy could coexist without one destroying the other. They had different views (Musgrave 1992). Radical scholars have sometimes returned to this dimension of their work when the governments of advanced capitalist countries have faced fiscal crisis (Block 1981).

¹³ The same idea animates much insightful literature on government-business relations (Bates 2001; Winters 1996).

¹⁴ There is some overlap between what I term *political revenues* and the more familiar concept of *rents* – or *sovereign rents* (Knack 2009) – which is often used in political economy to refer to any return on assets that in some sense derives from the exercise of power. I do not use *rents* for two reasons. First, this would be likely to stir up the diversionary issue

the boundaries between state revenues and political elite revenues often are unclear. For example, some of the ‘fees’ that timber merchants pay to fell trees in state forests might be legal and some illegal. Of those that seem legal, some might get to the public treasury while others end up in other pockets. It is difficult to understand politics and state formation in poorer countries in particular unless we recognise the potential motive power of both state and elite political revenues and appreciate the ambiguous, shifting character of the border between them. Part of the argument of this paper is that, especially within developing countries, late twentieth century globalisation has led to increases in state non-tax revenues relative to tax revenues and in political elite revenues relative to state revenues – a reversal of those trends in European fiscal history that seemed so significant to Goldscheid and Schumpeter. Before making that case, I need to explore more the features of late twentieth century globalisation.

3 Late twentieth century globalisation

The contemporary phase of globalisation, which I term late twentieth century globalisation, can be dated from around the 1960s. I listed in Section 2 what I would regard as the most generic features of that process: the brisk growth of international trade; the even faster expansion of transnational capital movements; and the rapid increase in long range communications consequent on the marriage of telephony and digital technologies. To understand the implications for states and political authority, we need to add in some more specific features of the late twentieth century globalisation process and the context in which it occurred. From the perspective of poorer countries in particular, the following seem especially important:

- *International income inequality*: late twentieth century globalisation took place when average income disparities between the richest and the poorest countries were at the highest levels ever recorded.¹⁵ This inequality impacts on some other factors listed below. For example, the existence of high income markets in one part of the world generates large markets for commodities that, because they are either scarce (oil, gas, many minerals, diamonds) or illegal (drugs), generate high rents for those who control the sourcing in poor countries (see below).
- *Liberal and secretive international finance*: the growth since the 1960s of opportunities for people and organisations who control large amounts of capital to move their money around the world easily and safely, and to store it in a wide range of jurisdictions that offer combinations of low taxes and secrecy (Cohen 1996).
- *Rising natural resource rents*: the big increase from the early 1970s in the rents that governments in the poorer part of the world obtained from their control over point natural resources – mainly oil and gas, and also some minerals. This is partly because of the absolute increase in mining and extraction activities in the global South, notably in sub-Saharan Africa, but also because per unit profits and rents on oil in particular have tended upwards since the early 1970s.¹⁶

of whether taxes can usefully be considered as rents. Second, some rents may not derive directly and visibly from the current exercise of political power, and thus fall outside political revenues as I conceive them. For example, the De Beers company long obtained significant rents from its control of the international diamond trade. However, it would be misleading to equate these rents to political revenues. They also owed a great deal to smart and active management and marketing (Smillie 2010).

¹⁵ For example, Maddison (2001) estimates that the ratio of per capita incomes between the richest countries and the poorest was about 2:1 in 1500, 3:1 in 1700, 9:1 in 1900, and 20:1 in 2000. See also Pritchett (1997). The rapid growth of a few Asian economies in recent years has yet to impact significantly on this long term historical trend.

¹⁶ A relatively sophisticated database on the size of these rents, by country, is available on <http://go.worldbank.org/3AWKN2ZOY0>. Until World War Two, developed countries collectively were largely self-sufficient in energy resources: mainly coal, with significant domestic oil production in the United States. Their dependence on oil from the Middle East (and Venezuela) increased considerably in the 1950s and 1960s, but in a context where the governments of the main oil producing states (Venezuela, Kuwait, Saudi Arabia, Iran, Iraq, Libya) were generally dependent on and subservient to the United States and Britain in particular. But the balance of power

- *The new drug economy*: since the middle of the last century, there has been a big increase in illegal rent-taking opportunities from producing drugs in poorer countries and in trafficking them into rich countries. One cause was increasing wealth and growing consumer demand in rich countries. Another was the growth of air travel. The third was symbolised by the 1961 UN Single Convention on Narcotic Drugs: the creation, under American leadership, of an activist, punitive global anti-drug regime that increased the monetary rewards for producers, traffickers, and the people in authority who were bribed to cooperate with them.¹⁷
- *The new aid economy*: there was a steady growth of the aggregate volume of international development aid and its increasing concentration, especially from around 1990, on the poorest countries, such that aid became a major source of income for several dozen governments, mainly small, and many in sub-Saharan Africa (see Section 5).
- *The re-commercialisation of military capacity*: Before late twentieth century globalisation, it was widely understood that military service had been 'nationalised', in the sense that military organisations and personnel were expected to serve only their 'own' nation state. Correspondingly, mercenary activities were considered archaic and a violation of basic principles of identity and loyalty. However, in the course of globalisation, military service to some degree has been re-commercialised, in three different ways. First, the growth of UN peacekeeping operations has provided income earning opportunities for units of national armies that are low cost, disciplined, and relatively unaffected by the HIV/AIDS epidemic. Second, the militaries of the rich countries, above all the US, have begun to out-source a large proportion of their military and military support operations to private enterprises, because of both the growing complexity of military logistics and the increasing importance of electronic military equipment that can be designed and operated by specialists whose skills otherwise have a range of non-military uses. The distinction between military and non-military equipment and skills has been considerably eroded. Third, fuelled in part by the two previous processes, there has emerged in recent decades an unregulated international market for military personnel and services that provides opportunities for wealthy governments and elites to dispense with domestically-recruited regular national military forces. Given wealth, they can protect themselves and project their power by hiring military force on global markets.¹⁸

This brief characterisation of late twentieth century globalisation, especially as it impacted on poorer countries, puts us in a position to sketch out the impacts on political revenues in different parts of the globe.

gradually shifted from Western governments and companies to local politicians. OPEC, founded in 1960, was able to take advantage of oil shortages in 1973 to engineer production limits, rapidly push up the price to what were considered crisis levels, and at a stroke transfer something like 2 per cent of the world's GNP from oil purchasers into its own coffers. That set in train two processes that, amid all the volatility of the oil industry (and increasingly the natural gas industry), have continued up to the present. First, the average rents from oil and gas production have been very high, and governments have generally succeeded in capturing a very large proportion for themselves, to the extent that they have become wealthy and potentially very powerful. Second, the large relative decline in the North American contribution to global oil and gas production has been substituted by new sources, nearly all in areas with few non-energy income sources: Russia, the Caucasus, Central Asia and parts of sub-Saharan Africa (Harris *et al.* 2009).

¹⁷ The many good sources of information on the drug trade and its political consequences include the UNODC's annual *World Drug Reports* and (Bayart *et al.* 1999; Ellis 2009; Jojarth 2009; Keefer *et al.* 2008; Kohnert 2010; Reuter 2008, 2009; Scott 2003; Van der Veen 2003).

¹⁸ Among the many sources on this issue, see (Avant 2005, 2006; Roberts 2006; Scahill 2007; Sheppard 1998; Singer 2003).

4 Globalisation, political revenues and public authority

In our benchmark situation, around 1960, the rich (OECD) states and some Latin American states were what Schumpeter termed *fiscal states*: advanced *tax states* that could borrow heavily on the strength of assured future tax revenues. Basic *tax states*, with limited access to private capital markets, were the norm in most of the rest of the world. Most political revenues were state revenues, and most state revenues came from broad, general taxes – as opposed to grants, other non-tax revenues, or taxes derived from a very small number of resource extraction enterprises. Two regions of the world provided the main exceptions. One was the Communist-ruled sphere covering China, Eastern Europe and the Soviet Union. Here governments mainly financed themselves directly through their ownership and control of most productive enterprise under the central planning system – a system that has now disappeared almost entirely. The other exception was small in scale in 1960: some Middle Eastern rulers were already living – some very well – from oil export revenues.¹⁹

In some countries, late twentieth century globalisation has tended to maintain or reinforce the benchmark pattern, bolstering state revenues as much as, or more than, political elite revenues, and doing so through the channel of broad general taxation. This seems to be the case to date with the OECD countries and a number of (larger) non-OECD countries that have impacted significantly on the global economy through increasing exports of manufactured products (China, South Korea, Taiwan), non-mineral commodities (Brazil), and relatively tangible services (India). I focus here on the other countries, which are to be found outside the ranks of the OECD and the BRICs/emergent economies, and generally are poor and small in population terms. In response to late twentieth century globalisation, a range of new sources of political revenues has become more important. They challenge the dominance of the OECD norm of state dependence on broad general taxation, and might be seen as replacements for the previous ‘alternative’ to that norm – direct state control of productive enterprise – that has now largely disappeared (see above). My tentative classification of the new sources of political revenues is: (i) *illicit political elite revenues* (ii) *point natural resource revenues* (iii) *sovereign wealth revenues* (iv) *property development revenues* (v) *pirate sovereign revenues* and (vi) *sovereign transfers*. These sources to some degree blend into one another, and map only very roughly onto political jurisdictions. Many national governments and elites obtain revenue from several of these sources simultaneously. Some sources tend to serve sub-national rather than national governments, or vice versa. Almost all of them to some degree provide both state revenue and political elite revenue simultaneously. The list begins with those sources that have the highest element of political elite revenues – and are most closely associated with the weak and fragile state phenomenon – and ends with those with the highest state revenue component, which therefore are the least likely directly to undermine political order – although they might support exclusionary and authoritarian forms of order.

4.1 Illicit political elite revenues

Illicit elite political revenues accrue to people and groups who exercise some political power, and typically use it to ensure that state agents help rather than hinder their activities, where ‘helping’ can extend from simply turning a blind eye (e.g. to drug smuggling) to active assistance (e.g. in providing false documentation to facilitate illegal trade in arms or diamonds). Globalisation has increased the rewards from many illicit activities through the reduction in communications and transport costs, and the consequent increased incentives

¹⁹ Scholars were already beginning to suggest that these Middle East oil-fuelled polities were distinctive *rentier* regimes (Mahdavy 1970).

for people located in poorer countries to meet market demands in the rich countries. Some activities in this category, including people trafficking and the production and trading of counterfeit medicines and other goods, are relatively dispersed over the globe (Naim 2003) and small in terms of the sums of money involved and the perverse incentives that they create for the active weakening of state institutions and public authority. Other relatively small scale illicit rent-generating activities – like permitting the illegal felling and export of tropical hardwoods (Ross 2001a) and turning a blind eye to illegal factory fishing in the territorial waters of African states (Standing 2008) – are more concentrated in a few locations. Large scale piracy is a recent entrant into the category. Although now expanding off Benin and Nigeria, it has been concentrated mainly off Somalia, where it reflects the combination of the near-collapse of state authority there and proximity to a major shipping lane. In its current form, the pirate economy of kidnapping ships and crews for ransom is very much a product of globalisation. It is a viable large scale business because of the combination of modern communications, the London lawyers who act as intermediaries between representative of pirates and ship-owners and insurers, and the international private security firms that deliver the ransom money.

On the global level, the two main sources of illicit elite revenues in recent decades have been diamonds and drugs. As recounted in detail by Smillie (2010), illicit diamond production and trading emerged as a direct cause of political breakdown, conflict and misery in West Africa and Angola in particular. Several factors interacted to increase the demand for diamonds, shift the diamond economy even further out of the purview of the state and the tax man, and encourage international smuggling. They include: growing affluence in Western consumer markets and a wider range of uses for industrial diamonds; increasing air traffic, which eased international smuggling; and the fact that, before the full flowering of what I have termed above liberal and secretive international finance, diamonds were a very convenient means of expatriating wealth anonymously from poor countries and storing it in more secure jurisdictions. Greed and kleptocracy in Africa certainly helped exacerbate conflict around diamonds. So too did greed in Europe, and the uninterest of national authorities there in regulating or even keeping useful records of the diamond trade (Smillie 2010). However, without the changes in the global context listed above, the diamond wars that took place in and around Angola, Liberia and Sierra Leone from the 1970s until the end of the century might never have happened, and would certainly not have been as ferocious.

The existence of diamond deposits does not necessarily motivate political elites to undermine political and administrative order in order to enrich themselves. Context matters, and the characteristics of the diamond deposits are an important part of that context. Alluvial diamonds are found scattered over wide areas. In poorer countries, they are typically prospected by small groups of manual labourers, often working in remote areas. This provides seedbed conditions for the kinds of complex conflicts that blighted parts of West Africa in the 1980s and 1990s, and pushed the Liberia warlord Charles Taylor toward international notoriety. Finds of alluvial diamonds are unpredictable. Individual stones are easily concealed and smuggled across borders. State agencies find it hard to maintain any kind of control or tax system. Competition among financiers can easily escalate into armed conflict for control of territory and deliberate depopulation (Smillie 2010; Snyder 2006). By contrast, the extraction of deep shaft diamonds through large scale, capital intensive operations has much the same politico-economic consequences as the mining of other concentrated high rent products, including oil and gas extraction. It generates a surplus that enriches the existing governing authorities and tends to strengthen the state, albeit much more in its fiscal and military aspects than in terms of its legitimacy or capacity to mobilise citizens in the collective interest. As the recent history of Botswana exemplifies, deep shaft diamond resources give political elites incentives to pursue their ambitions and interests through working within, and strengthening, existing state or other large scale public authority structures (Acemoglu *et al.* 2003; Leith 2005; Poteete 2009).

It is too early to say how far the relative calm in the diamond fields since early in the current century reflects (a) the 2003 Kimberley Process Certification Scheme aimed at ending the 'blood diamond' phenomenon;²⁰ (b) the final defeat of (diamond-fuelled) UNITA in Angola by (oil-fuelled) MPLA in 2002; or (c) the fact that diamonds have lost some of their former attraction now that liberal and secretive international finance provides better ways of transferring capital transnationally and storing it securely offshore. It is clear that, at the global level and possibly also within West Africa, the growth of profits from the production, processing and shipping of drugs are turning diamonds into a relatively marginal source of illicit elite revenues. The illicit global drug market became significant only in the 1960s, in response to rising incomes in OECD countries, reduced international transport costs, and the emergence of an activist, punitive international drug control regime (Section 3). Consumption does not seem to be declining in rich countries, although they are becoming more self-sufficient in cannabis and produce many of their own 'designer drugs'. Drug use, especially of heroin, is increasing in most the producing and transshipment countries, and indeed in the poorer world generally (UNODC 2010). West Africa has become a major transshipment hub, with predictable consequences for the quality of local policing and customs services (Ellis 2009). The effects are felt even in Ghana, otherwise one of Africa's contemporary successes in governance reforms. The transport of drugs from Latin America to the US first had noxious effects on governance in much of the Caribbean. Partial successes in blocking those routes transferred much of the venom to Mexico. The Mexican government's ongoing war on drug traffickers has in turn dispersed some of the toxic effects of the trade South, especially to Guatemala and El Salvador, but also to Belize, Honduras and Nicaragua. Absent major policy changes, there is currently little prospect of any change except the continuous relocation of the problem (Reuter 2008, 2009).

4.2 Point natural resource revenues

In quantitative term, rents from 'point' natural resources – i.e. minerals and energy – have grown in recent decades to become by far the biggest single source of political revenues.²¹ Demand and prices have tended upwards in recent decades, and extraction activities have spread further into poorer regions hitherto considered too difficult, politically or technically. Relative to the 1960s and 1970s, resource rents are now less concentrated in the Middle East and North Africa, and have become more important around the Caspian Basin (the Caucasus, Central Asia and Russia) and in sub-Saharan Africa. Because the rents from mineral and energy extraction are so large, and because the extraction processes are so distinctive, concentrated and rooted in particular locations for long periods of time, we know more about the governance impact of political revenues from this source than from any of the others listed in this paper. In particular, we know three big things – and are close to a consensus on a fourth.²² The first is that the extraction of point natural resources in almost all cases greatly enriches the political elites who control the locations where the extraction takes place. It provides revenues to both political elites and states. The Al-Saud family has benefited more from oil than has Saudi Arabia. Even in more bureaucratically organised states with some elements of formal electoral democracy, state energy corporations, often described as 'a state within a state', are bastions of privilege and extra-constitutional power (de Oliveira 2007; Winters 1996). The second big thing we know is that the extraction of point natural resources tends to generate relatively exclusionary, monopolistic and militarised

²⁰ Smillie (2010) suggests that the Kimberley process is failing.

²¹ 'Point' natural resources are concentrated and extracted – normally mined – through large scale capital intensive operations. The political consequences are very different from the exploitation of agricultural and forestry resources, which almost by definition are widely dispersed, far less likely to generate high rents, and far less prone to monopoly capture.

²² There is a large literature examining the diverse effects of large resource rents on politics and governance. Among the many sources, see (Aydin 2011; Bornhorst *et al.* 2008; Brunnschweiler 2008; Bulte *et al.* 2005; Collier 2006; Collier and Hoeffler 2005; Daniele 2011; de Oliveira 2007; Dunning 2008; Gelb and Grasman 2010; Gervasoni 2010; Ghazavinian 2007; Jensen and Wantchekon 2004; Knack 2009; Malaquias 2001; Neumayer 2004; Omgba 2009; Oskarsson and Ottosen 2010; Ross 1999, 2001b, 2003, 2008; Smith 2004; Snyder 2006; Snyder and Bhavnani 2005; Stijns 2006; Torvik 2009; Tsui 2011; Vicente 2010; Weinthal and Luong 2006; Weyland 2009; Williams 2011).

governance, and to entrench governments in power for long periods of time. The third is that governments funded principally from point natural resource extraction tend to treat their citizens badly – in terms of civil and political rights, health and education services, and public infrastructure provision – because they have so little need of them. Natural resource wealth frees governments from their normal motivations to nurture at least some prosperous tax payers, affluent mass consumers, healthy and educated workers, appreciative voters or fit and skilled military recruits. Cash from oil and minerals obviates the need for a booming economy and tax revenues, and pays for the recruitment of (politically-docile) immigrant workers and mercenaries to provide essential skills. As recent events in the Middle East illustrate, such exclusionary political regimes contain the seeds of their own decay in the long term. However, the dominant effect of natural resource revenues in recent decades has been to stimulate and strengthen them.

Finally, a recent research paper from the IMF, on the question of whether Ghana will be blessed or cursed by its new oil wealth (Aydin 2011) – see also Gelb and Grasman (2010) – articulates what I see as an emerging consensus: natural resources are not an inevitable curse; but there is strong evidence that they become a curse when they are exploited on a large scale in poor countries with weak pre-existing public institutions ; and this malign effect is closely associated, both as cause and as effect, with poor governance. Although there is hope in the long term, for the foreseeable future the curse may prove very ‘sticky’.²³

4.3 Sovereign wealth revenues

A sovereign wealth fund is ‘a state-owned investment fund composed of financial assets such as stocks, bonds, real estate, or other financial instruments funded by foreign exchange assets’.²⁴ The contemporary political significance of sovereign wealth funds derives from a combination of three main factors. First, they are new. The term itself was invented only in 2005. The first fund, the Kuwait Fund, was established in 1953, but the pace of creation was slow until the 1990s. Most sovereign wealth funds now in existence have been established since 2000, mainly on the basis of large surpluses generated by exports of oil and gas and, for China, manufactured products.²⁵ Second, sovereign wealth funds are, in terms of numbers, asset sizes, or asset sizes relative to GNP or to government revenue, very important in the Middle East, significant in Africa, Russia and Central Asia, China, and other parts of Asia, but insignificant in the ‘old’ industrial regions of Western Europe and North America.²⁶ Third, sovereign wealth funds are characterised by lack of transparency. Excluding a few cases such as Norway, the people who control sovereign wealth funds typically release little information about them, and have considerable discretion over how the resources are deployed. Most of the public debate about sovereign wealth funds has taken place within OECD countries, and has focused on the potential threats to national security stemming from the purchase of strategic economic assets by agencies controlled by (non-democratic) foreign governments. The implications of large sovereign wealth funds for the governance of nations that possess them are at least as important. They are ideal vehicles

²³ Even if current experiments in North America at producing oil and gas from shale through hydraulic fracturing succeed and radically reduce world energy prices, many oil and gas extraction activities will continue to generate high rents.

²⁴ ‘These assets can include: balance of payments surpluses, official foreign currency operations, the proceeds of privatizations, fiscal surpluses, and/or receipts resulting from commodity exports. Sovereign Wealth Funds can be structured as a fund, pool, or corporation. The definition of sovereign wealth fund exclude, among other things, foreign currency reserve assets held by monetary authorities for the traditional balance of payments or monetary policy purposes, state-owned enterprises (SOEs) in the traditional sense, government-employee pension funds, or assets managed for the benefit of individuals’ (www.swfinstitute.org/fund-rankings). Other sources on sovereign wealth funds include (Monk 2009; Saw and Low 2009; Weiner 2011; Xu and Bahgat 2010).

²⁵ Of the 49 contemporary sovereign wealth funds for which the Sovereign Wealth Fund Institute provides data, 3 were established in the 1950s, 5 in the 1970s, 5 in the 1980s, 8 in the 1990s, and 28 since 2000. (www.swfinstitute.org/fund-rankings – accessed 28 April 2011).

²⁶ Of the 52 contemporary sovereign wealth funds listed by the Sovereign Wealth Fund Institute, 17 are located in the Middle East; 6 in Africa; 3 in Russia and Central Asia; 5 in China and Hong Kong; 8 in other Asia and the Pacific; 4 in Latin America and the Caribbean; 6 in North America, Australia and New Zealand; and 3 in Western Europe. The Middle Eastern and Chinese funds are the largest (www.swfinstitute.org/what-is-a-swf - accessed 29 April 2011).

for money laundering of all kinds. Their assets and profits can easily be switched between overseas investments and the domestic economy and fiscal system. Sovereign wealth funds potentially liberate executive authorities from the need to negotiate with domestic taxpayers to obtain revenue, or to explain their expenditures to legislatures and voters.

(iv) Property development revenues

Sovereign wealth revenues derive from liquid, mobile financial assets largely held overseas. By contrast, property development revenues derive from the least liquid and least mobile form of domestic asset: land. The distinctive feature of the ‘property-development polity’ is that public authorities – and often political elites – derive much of their income from either (a) re-allocating rights in scarce land to other beneficiaries or (b) actively participating in income-generating real estate development, including in public utilities like electricity and water supply and public infrastructure like ports, toll roads, and major international canals (Egypt, Panama). Many political jurisdictions obtain a little income from these sources. The matrix in Figure 1 helps explain the notion of a distinct property development polity. The matrix has two dimensions: the extent to which political authorities are actively engaged in property development or simply re-allocate land to non-state actors; and the extent to which these activities are conducted by national/central governments or by sub-national jurisdictions. For present purposes, the more significant property development polities are in the upper left quadrant, and it is on those that I concentrate here.

Figure 1

	<i>Activist property development by political authorities</i>	<i>More passive (or ‘rentier’) re-allocation of land rights to non-state actors</i>
<i>(City) states</i>	Hong Kong Singapore Dubai Qatar	Djibouti ²⁷ Panama ²⁸ Sri Lanka
<i>Sub-national jurisdictions</i>	Widespread	Much of contemporary China

The pre-conditions for profitable, activist state-led property development are that land should be scarce and in demand. That in turn implies a major concentration of economic activities in a small territory. The first significant contemporary case of a property-development polity was Hong Kong under British colonial rule. That was followed by Singapore, especially after it became an independent state in 1965;²⁹ and then more recently Dubai and a number of other small jurisdictions in the Gulf, including Qatar. In the absence of any systematic analysis of this phenomenon, I sketch out what appear to be the main features and causal processes. In all cases, a sense of political vulnerability has provided much of the motivation. The functions that have been developed to add value to real estate are to some extent given by nature and to some extent a matter of strategic choice. They tend to be synergistic. No single function seems essential. The more foundational seem to be:

- Transshipment and re-export of goods: most property development polities began as ports serving a wider region.

²⁷ See Brass’s (2008) account of the effects on politics in Djibouti of the high rent that can be drawn from American and French military bases and control of trade from Ethiopia.

²⁸ The case of the Panama Canal illustrates the complexities of the analysis here and the ambiguities of the concepts. The canal is well-managed by the autonomous Panama Canal Authority. However, it represents a large sunk investment that enjoys close to a monopoly on regional shipping routes, and semi-automatically generates large revenues for the government from canal tolls alone. Those revenues are largely ‘unearned’: the government does not need to work hard either to keep them flowing in or to retain the support of its citizens (Moore 1998). Panama scores low on many dimensions of good government, and especially low in the provision of education (*The Economist*, 16th July 2011: 53).

²⁹ Singapore is now so prosperous that income taxes are a major revenue source. However, in 2009 land sales still accounted for 8 per cent of government revenues, and investment income for another 14 per cent - www.singaporebudget.gov.sg/budget_2011/revenue_expenditure/toc.html.

- Naval facilities for global powers.
- A haven of law, order and respect for property rights, especially in regions where these facilities were otherwise not easily available to enterprises owned by foreigners and/or operating transnationally.
- A cultural refuge for members of transnational expatriate networks (e.g. the British in Hong Kong, Westerners in Singapore) or a recreation centre for wealthy people facing lifestyle restrictions in adjacent countries (e.g. Arabs in various Gulf states).

On these foundations, property development polities have been able to make themselves attractive to investors and visitors by offering a range of other services, including various degrees of 'income shelter' services (tax havens, money laundering); leisure locations for the wealthy; iconic cultural facilities; nuclei for international financial service activities dependent on time-zone location; and regional and trans-regional airline passenger travel hubs. To some extent, this clustering of service activities reflects normal 'economies of agglomeration'. But the existence of property development polities reflects something more. Their distinctive features derive from their roles as havens – for property owners seeking some security, for people wanting a predictable legal and organisational framework in which to conduct business, for foreign professionals working in alien cultural environments, and for wealthy people escaping lifestyle restrictions – in regions characterised by political instability, weak government support for private enterprise, or lax and unpredictable commercial law enforcement. The governance of property development polities reflects their 'haven' characteristics. Rulers offer capital owners and professionals a better deal than they could expect in adjacent jurisdictions, in return for the acceptance of very limited civil or political rights. Property developer regimes tend to be stable, exclusionary and relatively authoritarian.³⁰ Their economies are very vulnerable to disruption caused by political instability. Their typical dependence on temporary immigrant workers, for both professional and manual skills, makes it easier to pre-empt both effective trades unions and mass political activism. The ability of states to fund themselves from property development reduces the need for significant binding consultation with taxpayers. Given cohesiveness among ruling elites and the loyalty of military and security services, property development polities face few internal political challenges.

While the most distinctive property development polities have a long history as centres for entrepot activities, they have flourished in recent decades in consequence of the interaction of two sets of factors. The first is late twentieth century globalisation, including in particular the containerisation of international trade in goods and the growing importance of transshipment hubs,³¹ the expansion of air travel; the emergence of a large group of 'global professionals' with overseas job postings; and the growth of the international financial services sector. The second is various kinds of political instability and insecurity of property in the regions they serve.³² It is therefore difficult to predict how far existing property development polities will expand or how far new ones will emerge. Their viability depends on the lack of strong competition from other political jurisdictions in their neighbourhood for the capital, personnel and economic activity that they need to attract. The more elaborated property development polities are almost inevitably city states.³³ Their potential numbers are limited. But the same processes that produce property development city states are also

³⁰ At one end of the scale, the Dubai Executive Council does not have to respond to any organised consultative council, but is answerable directly to the ruler. Davidson (2008: 159) talks of '... the government as a board of directors rather than as a forum for political participation.' At the other end of the scale, Singapore is a 'managed democracy'. The ruling Peoples Action Party has a broad membership base, is fused with the higher levels of the public service, actively recruits and nurtures political and bureaucratic talent, makes it very hard for political opponents even to contest elections, and has in consequence totally dominated the legislature since independence.

³¹ This is often associated with illegal trafficking in people, arms, drugs and counterfeit goods (Davidson 2008: chapter 8).

³² Conversely, lacking widespread, endemic insecurity, contemporary Western Europe has not given birth to significant property development polities.

³³ Hong Kong has never formally been independent, but first under British then Chinese control. Nevertheless, it has in practice enjoyed many of the features of an independent city state.

evident within larger countries and at sub-national level. Often because of a history of colonial, feudal or Communist rule, it is not unusual for governments to own a large proportion of (unused) land, or to have strong claims over it. Sri Lanka is one such case. It is much larger than a city state, but has a dense population and, because of its prime location on world shipping lanes and major tourist potential, is currently receiving considerable Chinese and other foreign investment in port, airport and other transport facilities, nearly all on land made available by the government. The Rajapakse family, that now runs the country as an elected dictatorship, plays a major role in these and other property developments. Sri Lanka is not Dubai, but there is significant convergence between the two.³⁴ The extent to which sub-national governments in China are now funding themselves from land sales and property development – and therefore arguably perpetuating their autonomy from the people they are supposed to serve – is now a topic of significant comment and research (Man 2011). Property development revenues are likely to continue to affect governance in parts of the world for the foreseeable future.

(v) Pirate sovereign revenues

Dubai, Qatar and other Gulf states compete with one another mainly by investing in improved infrastructure and other facilities to attract businesses, investment, depositors, and visitors. While there may be some costs to these states and to the rest of the world from this competition, many people view it positively, as doing what competition promises to do in the economic textbooks: stimulate improvement. One major category of (mainly new) political revenues depends on a less benign form of competition: political jurisdictions compete to appropriate directly for themselves the revenues that would otherwise accrue to other jurisdictions.³⁵ They make themselves better off by making others worse off. A social scientist might label these ‘zero-sum sovereign revenues’. I prefer the more graphic term ‘pirate sovereign revenues’.

The oldest significant contemporary form of sovereign revenue piracy derives from the willingness of the governments of Liberia and Panama in particular to register merchant ships as being ‘national’ in return for lower registration fees and less stringent regulations relating to vessel safety, environmental safeguards and labour conditions than those imposed by the genuine home governments of the ship owners. These arrangements for ‘flags of convenience’ date back to Panama in the 1920s, but spread rapidly from the 1970s (Palan *et al.* 2010: 140), and now account for more than half the world’s merchant shipping. The sums of money involved are however very small in comparison to those involved in the more recent and now more contentious form of revenue piracy: tax havens. Much has been written recently on the subject. The details are complex, and the question of what is and is not a tax haven remains contested.³⁶ But the essential points are clear. Tax havens are ‘jurisdictions that deliberately create legislation ease transactions taken by people who are not resident in their domains, with a view to avoiding taxation and/or regulations, which they facilitate by providing a legally backed veil of secrecy to make it hard to determine beneficiaries’ (Palan *et al.* 2010: 236). More simply, tax havens allow a few privileged people to enjoy the benefits of great wealth free of any of the obligations that they might otherwise incur. They are characterised by high levels of secrecy and the ease with which companies and other legal entities, including trusts, can be established and registered. Tax havens are a defining feature of late twentieth century globalisation. Some have their historical roots in the nineteenth century, but their explosive growth dates from the early 1970s (Palan *et al.* 2010: 108).

³⁴ I write this as a Sri Lanka specialist.

³⁵ Some economists do defend this destructive competition. Their defences are plausible only if one accepts their strong assumptions about the inherent appetite of states for additional revenues and the benefits to society of restricting or reducing public income and spending to the maximum possible.

³⁶ For an excellent account of tax havens see Palan *et al.* (2010). Shaxson (2011) is a better read, but more partisan.

The author of one recent book on tax havens argues that a defining feature of tax havens 'is that local politics is captured by financial services interests (and sometimes criminals and sometimes both), and meaningful opposition to the offshore business model has been eliminated' (Shaxson, 2011: 8-9). This proposition becomes more plausible if we accept a distinction made by Palan *et al* (2010), that Shaxson himself does not make, between two types of tax havens. The first are tax havens in the narrow sense. These are secrecy jurisdictions that 'remain mere "paper centers", providing a home for shell companies and trusts, proxy banking institutions, and captive insurance companies' (Palan *et al.* 2010: 27). There is little value added in these tax havens. They exist purely to facilitate the hiding of assets, money laundering and the evasion of tax. They employ very few people relative to the number of companies and other legal entities to which they are formally home. Their politics are indeed relatively exclusionary or authoritarian; where there is a clash, the interests of those who profit from tax havens tend to trump the interests of their indigenous populations. Drug traffickers and other international criminals often have a strong local voice (Palan *et al.* 2010: 70). The Cayman Islands is but one of many small jurisdictions, especially in the Caribbean, that conforms to the image of the basic tax haven. The second type of tax havens are offshore financial centres, which provide the same services as basic tax havens, but employ more people, undertake a wider range of financial services, and to some extent do add genuine economic value. Lists of what Palan *et al.* (2010) term offshore financial centres – and there is no single definitive list – are likely to include larger countries or jurisdictions with more diverse and prosperous economies, including Singapore, Switzerland, the UK and the USA.

From a global perspective, the most important political economy consequence of tax havens is that they permit corporations and wealthy individuals to evade taxes. Tax burdens are shifted toward smaller companies, consumers and employees. The impact of tax havens on many developing countries is greater and more damaging: by enabling those who command what I have termed 'elite political revenues' to hide these incomes and/or launder them into what appear like someone's legitimate business profits, tax havens facilitate and stimulate corruption, drug trafficking, diamond wars, piracy, and the theft of natural resource revenues.

Attempting to become a tax haven was a sensible livelihood strategy for many micro-territories faced with independence from colonial rule and the lack of other obvious sources of income or export earnings.³⁷ Tax havens compete intensively with one another. The more successful tend to specialise (Palan *et al.* 2010). Many attempts to get into the business have failed. Especially since the onset of the rich world's current fiscal crisis, tax havens have been subject to powerful international pressures to clean up their acts and cooperate more with the revenue-hungry tax authorities of the more powerful states. Switzerland, for example, recently has made significant concessions to the US and the UK governments by agreeing to levy some tax on the bank accounts held by their nationals and to hand it over en bloc – while still maintaining secrecy about account ownership. These international pressures helped block recent attempts to establish tax haven facilities in Ghana. But the temptations will not go away. Botswana is in the business in a small way. Other African countries will try to follow. Even the success of current international campaigns radically to reduce the scope for international tax evasion would not drive tax havens out of business.³⁸

³⁷ One of the reasons that the UK and the Commonwealth are so prominent in the tax haven world is that the British government actively encouraged its small dependencies into the business to provide them with independent economic means when imperial bonds were being loosened (Palan *et al.* 2010).

³⁸ The current main objectives of these campaigns are to require transnational corporations to report activities and profits by country and to increase the flow of information among national tax authorities: see www.taxjustice.net/cms/front_content.php?idcatart=20.

4.6 Sovereign transfers

The common feature of the political revenues in this category is that they are channelled almost entirely to state agencies, with little going directly to political elites. For classification purposes, I would distinguish between *direct* and *indirect sovereign transfers*. The meaning of the first is self-evident: direct transfers to governments from other governments or inter-governmental organisations. The meaning of *indirect sovereign transfers* is less obvious. I refer to the opportunities that some governments have to obtain revenues as a result of the emergence of global governance arrangements. A small, quirky example is the way in which international agreement on web domain names allows the government of Tuvalu to commercialise the right to use its national domain name: tv. On a somewhat larger scale, the surge in UN peacekeeping operations that began around 1990 provides revenue-earning opportunities for governments of poorer countries that command disciplined, low cost armed forces that are relatively free of HIV/AIDS.³⁹ While *direct* and *indirect sovereign transfers* are conceptually distinct, I discuss them together here.

The most significant – and the most direct and the most discussed – new political revenue within this category is development aid. As I explained in Section 3, the aggregate volume of aid both increased considerably during late twentieth century globalisation, and became more concentrated on the poorest countries. Further, most of those countries were suffering low or negative rates of growth of their economies and therefore of tax revenues. In consequence, aid became a major source of income for several dozen governments, mainly in Africa and Central America. In 2006, it was the major single source for nearly twenty of them.⁴⁰ Again, one can see aid dependence as a sensible income-earning strategy for some governments – especially governments of small, poor countries that had few prospects of exporting manufactured products or legitimate services and whose ‘natural’ external markets for agricultural products were choked off by the protectionist policies of OECD countries.

The impact of high levels of aid on public authority in recipient states is disputed. Statistical analyses find little support for fears that high levels of aid have led to a slackening of the efforts by recipient governments to raise their own tax revenues.⁴¹ There are however concerns that aid tends to weaken or fragment administrative and political institutions in recipient countries. These fears focused initially on the effects of donors’ insistence on establishing separate organisations to implement or oversee their own projects.⁴² That practice is now less common. Attention has shifted to the adverse effects of the steady and rapid proliferation of the number of aid channels: more donors, more aid modalities, more projects and, critics suggest, more dispersal of the attentions, energies and resources of recipient governments (Acharya *et al.* 2006). The proliferation of the numbers of donors and projects relative to the volume of aid money has continued until today (Frot and Santiso 2010) – see also Severino and Ray (2009) – despite the Paris Declaration of 2005 and Accra Agenda for Action of 2008, whereby the main aid donors committed themselves to coordinate much more closely and to harmonise their operations to avoid unintentional institutional damage. Even if donors desist from establishing separate organisations to spend their money, and channel it through the recipient government, the intensity of their presence and activities in some countries still creates incentives for elites not to engage vigorously in building state institutions. Aid agencies, including international NGOs, provide many well-

³⁹ In July 2011, the largest current contributions in terms of troop numbers came from Bangladesh, Pakistan and India. However, Uruguay, Jordan and Rwanda provided much higher troop numbers relative to the size of their national populations www.un.org/en/peacekeeping/resources/statistics/contributors.shtml.

⁴⁰ Adrian Wood estimated that, in 2006 and taking into account only countries with a population of a million people or more, 17 governments (15 in Africa) were receiving at least as much revenue from aid as from tax, and for a further 13 aid revenues were between 50 per cent and 100 per cent of tax revenues (Wood 2008).

⁴¹ See for example Gupta (2007) and Prichard (2010b). However, the quality of the data used are poor, and the alternative view, for which there is some statistical evidence (Knack 2009; Remmer 2004), cannot yet be rejected.

⁴² Morss talked in 1984 of the ‘institutional destruction’ resulting from donor and project proliferation (Morss 1984). See also (Brautigam 1999; Brautigam and Knack 2004) (Cohen 1992; Godfrey *et al.* 2002; Leonard 1987; Wilson 1993)

paid jobs that stimulate a flow of administrative and technical talent from the public sector. Servicing the well-paid expatriate economy creates similar perverse incentives, especially in the more fragile states where there is a large expatriate civil or military presence. We have all heard about Afghan civil servants who quit their jobs for the greater material rewards of driving taxis around Kabul.

Conventional grant or low-interest aid will continue to generate debate on these issues. It is however now diminishing in importance. Even in sub-Saharan Africa, where the most intense cases of aid dependence are to be found, a new kind of aid is now looming large. China and other new donors typically do not make large grants to governments. They instead finance, through a variety of credit arrangements, major public physical infrastructure investments. The public finances of the recipient countries are however deeply affected, not least because governments often assume long term responsibilities for repayment in the form of deliveries of oil or other mineral resources (Saidi and Wolf 2011). This new type of aid, labelled as 'development investment' by the OECD (Saidi and Wolf 2011), is likely to have considerable implications for politics and governance. So too might the REDD (Reducing Emissions from Deforestation and Forest Degradation) programme that seems to be steadily making its way through the UN and other international organisations, and to have attracted substantial advance funding commitments. The plan is to pay governments of poor countries to preserve or extend their forests.⁴³ If the proposed Tobin Tax on foreign exchange transactions were implemented and if the proceeds were directed largely at poorer countries, that too would be yet another way for governments to finance themselves without the trouble of negotiating with taxpayers. And it is not only the governments of poor countries that can expect new sources of such 'unearned revenues' (Moore 1998). Will the auctioning of bandwidth for mobile telephony become the intangible equivalent of Singapore's property development revenues for many other governments? And, if the United Nations Framework Convention on Climate Change ('Kyoto Protocol') arrangements for trading in permissions to emit greenhouse gases are brought into operation, to what extent will governments be able to turn them into sources of revenue? (Asher 2005).

5 Conclusions

Over the last two decades, the governance-and-development agenda has exercised considerable influence over the ways in which we have classified countries politically. Accepting the gross simplifications intrinsic to such exercises, the identification of one distinct set of problem states (failed, weak, fragile) and another of aspirant problem-solvers (OECD aid donors) was not totally at variance with reality of the 1990s. But the usefulness and validity of that classification are now very much in question. What will the global governance map look like in another two decades? There are many ways to begin answering that question. The one that I present here shares with most scholarship on the general topic a focus on the effects of globalisation, but is otherwise heterodox – and very much exploratory.

The existing scholarly literature on the implications of globalisation for states and public authority is in large part driven by the observation that globalisation increases economic competition, especially competition for the location of capital investment. Scholars have focused on whether and how the advanced capitalist states have made themselves fitter to compete with one another, and how and in what ways this task has been in conflict or consistent with some of the other structural imperatives they face, notably the need to raise large amounts of revenue to finance big welfare budgets and to maintain popular and electoral support for the 'historic compromise' between capital and labour that they embody. Many scholars believe that this competition for capital has helped change the architecture of the (advanced capitalist) state, as the mode of exercising authority moves away from

⁴³ See www.un-redd.org/AboutREDD/tabid/582/Default.aspx

command-and-control type activities initiated from within the formal state apparatus toward more two-way, informal exchange relationships that cross formal organisational boundaries. More by omission than commission, these debates have emphasised the similarities among advanced capitalist countries. The question of whether these processes of globalisation and competition might stimulate the differentiation of states has not really been on the agenda.

I start with an empirical focus on the poorer states; with a theoretical expectation that globalisation and economic competition might be expected to generate processes of differentiation among states as well as processes of homogenisation; and with some analytical predispositions deriving from fiscal sociology. In particular, fiscal sociology suggests that states are strongly motivated to seek revenues;⁴⁴ that revenue sources are potentially very consequential for state-society relations, the architecture of the state, and thus governance generally; and that the characteristic mode of financing states under advanced capitalism – encouraging productive private investment in order to enlarge the tax base – is far from the only choice historically available. Using the concept of political revenues – and its components state revenues and political elite revenues – I find considerable evidence that late twentieth century globalisation has both (a) provided many (non-OECD) states with a range of new state revenues in addition to ‘normal’ tax revenues and (b), in some cases, enhanced elite political revenues relative to state revenues.

If my argument were even half right, what would be the implications? Here are three.

(i) The expansion of non-tax state revenues

I have cited above a range of scholars, starting from Joseph Schumpeter, who believe that the dependence of governments on broad general taxation is an important bulwark of accountable and responsive governance. It tends to generate within the state both a self-interested concern with general prosperity of taxpayers (i.e. virtually all citizens) and a willingness to concede some political power to taxpayers/citizens in return for their more willing compliance with established or new tax demands. The tax and fiscal states about which Schumpeter wrote, and the capitalist economic and political institutions of which they were a fundamental part, were constructed on the basis of a relatively clear division of labour: the state controlled few significant income-earning assets and was dependent for its income on taxing private enterprise; and most of the mobile, investible capital assets were in private hands. That division of labour in turn created the basis for a productive bargain between political power and private capital: investors would obtain protection for their property rights and general support from the state in profit-seeking; and their investments would provide the holders of political power with tax revenue, the economic prosperity that makes ruling so much easier most of the time, and various types of political funding or private benefits (Bates 2001; Moore and Schmitz 2008). This bargain is not itself intrinsically democratic, but it has provided the material foundations and incentives on which all sustainable contemporary democracies have been constructed – notably the in-built constraints on arbitrary state action and the perceived mutual advantages for states and organized citizens to bargain rather than war with one another. Where political authorities have owned the lion’s share of income-generating assets – whether under various forms of ‘feudalism’, state capitalism, centrally-planned state socialism or in contemporary oil-rich rentier states (Beblawi and Luciani 1987; Mahdavy 1970) – democracy and civil liberties have not flourished. If there is indeed a widespread contemporary trend for governments to fund themselves from non-tax sources – oil, gas and minerals, property development, aid, sovereign wealth funds, international shipping registrations, REDD (Reducing Emissions from Deforestation and Forest Degradation) or the management of carbon trading emissions

⁴⁴ I do not mean to suggest that revenue is the sole or dominant driver of state behaviour. I find very useful Crawford Young’s list of those drivers: hegemony, autonomy, security, legitimacy, revenue and accumulation (Young 1994: 35–40).

certificates⁴⁵ – or from taxes levied on wealthy non-resident foreigners (tax havens), then, in the absence of more effective global institutions, the other political mechanisms that help keep states accountable and responsive to their citizens, notably political and electoral activism, might be called on to do even more of the work.

(ii) The expansion of elite political revenues

I believe that the recent expansion of elite political revenues is a significant part of the explanation of the contemporary phenomenon of weak, fragile or failed states. In polities in which elite political revenues are relatively abundant, power lies in the hands of people who often lack incentives to do state-building: to construct or nurture the institutions that might mobilise large numbers of citizens into politics (political parties), encourage political bargaining between different interest groups (legislatures), collect revenue for public purposes (tax agencies), make informed policy decisions and implement them consistently (civil services), protect citizens against crime and illegal force (police, judiciaries, prison services) or provide the technical support needed to hold government to account for the use of public money (public audit offices). Late twentieth century globalisation has not only shifted the financing of some peripheral states away from general tax revenues toward what Schumpeter might have termed domain revenues, but it has also created many opportunities and temptations for political elites to invest in the harvesting of illicit elite revenues – by engaging in or facilitating drug production and trafficking, money laundering, tax evasion, the sale of government contracts to the giver of the highest bribe – or even simply smoothing the way of aid donors and their projects through the public service in return for lucrative consultancy assignments. Because of globalisation, sources of such revenues are more abundant. Liberal international finance, most strikingly in the shape of tax havens, has made it easier and cheaper to hide illicit incomes, and thus has increased incentives to earn them. The growing transnationalisation of elite culture, including the practice of educating children in the USA or some other rich country, also shifts the balance of elite incentives toward keeping illicit money offshore in the knowledge that, should the political basis for moneymaking at home disappear, a materially good life will be available in some other part of the world. The re-commercialisation of military capacity has made it possible for exploitative, authoritarian elites to remain in power even if they enjoy little domestic legitimacy or support.⁴⁶ Overall, their incentives to create or nurture formal state institutions are unusually weak.⁴⁷

The widespread failure of attempts to establish state-like political order is not unusual. Indeed, it is the historical norm (Scott 2009). But historically, weak political authorities tended not to survive long. The political uncertainty and instability that typically follows war or internal conflict elicited a drive toward political resolution. Different interests and parties competed actively for state power. Either one party emerged as dominant or public authority was re-established through compromise between the leading contenders. A distinctive feature of the situation in some parts of the contemporary world is that these processes of

⁴⁵ I am not assuming that all these sources of non-tax revenues will continue to increase in significance. For example, current rapid progress in creating a larger, more diverse and more flexible global gas supply system, largely through extraction of shale gas and the expansion of the infrastructure for dealing with liquefied gas, may significantly dent the size of the rents that governments can extract from oil and gas exports (International Energy Agency 2011).

⁴⁶ The Qaddafi regime in Libya survived the initial upsurge of popular opposition in March 2011 in large part because it had its mercenaries ready for just such an event, some of them already in the country, and others available to be flown in.

⁴⁷ These issues are complex, and rarely explored in detail. Elites that exercise some influence in or through state institutions typically will not want to demolish those institutions entirely. Briscoe and Pellecer usefully (Briscoe and Pellecer 2010) frame their analysis of state weakness and failure in contemporary Guatemala along dialectical lines. While criminal and drug networks infiltrate and enfeeble many parts of the state apparatus and the private sector, powerful private sector interests need and support many functioning aspects of the state (Briscoe and Pellecer 2010). For further discussion of the phenomenon of the intentional destruction of state capacity by political elites, see Mathew and Moore (2011).

resolution and of re-establishment of effective public authority are weak and slow. Failing governments have not always been ousted militarily or supplanted by expanding neighbouring states. Weak governance and continuous internal conflict have become routine. For every case of apparently successful resolution, like Sierra Leone,⁴⁸ there are several where success is not yet in sight. A major generic reason is that, if they can continue to act as rent-taking gatekeepers, elites lack strong incentives put an end to weak governance or disorder, and may actively profit from it (Chabal and Daloz 1999; Duffield 1998; Munkler 2005). Control of rent-taking nodes becomes more rewarding than ruling territory and population through the contemporary state institutions with which we are most familiar.

There are direct policy implications of this analysis. Many of the underlying global causes of the weak and failed state phenomenon are amenable to constructive action at the international and global levels. And most are already on international policy agendas, even if only weakly so (OECD 2011; World Bank 2011): further transparency about the revenues that governments receive from all stages of the natural resource extraction process; the wider adoption and enforcement of international anti-corruption protocols; better regulation of private military companies and arms trading; tighter regulation of tax havens; cheaper, quicker and more automatic arrangements for information exchange among national tax authorities to facilitate tracking down illicit money; improved schemes for stolen-asset recovery; better monitoring of the sources and uses of tropical hardwoods; and changes in the current punitive but ineffective international drug control regime to reduce the very high current profit opportunities.

(iii) The financialisation of capitalism

Friendly critics⁴⁹ have suggested that, despite the apparent radicalism of my arguments here, I give too much credence to some conventional assumptions, including some associated with the old governance-and-development agenda that I rejected at the outset. These include: the notion that OECD states are, and will remain, relatively undifferentiated and similar to one another; the expectation that those OECD states, acting collectively, will exercise a benign influence on governance elsewhere in the world; and the stereotyping of the elites only of poor countries as being venal or dysfunctional. I plead a bit guilty, especially of not looking enough to the future, and to the likely impact of financialisation. Financialisation – the increasing influence of financial markets, financial actors and financial institutions in the operation of domestic and international economies⁵⁰ – has been a prominent feature of late twentieth century globalisation (Dore 2008; Epstein 2005), and seems set to continue. Were it to do so, two incipient contemporary politico-economic trends would likely be intensified. First, we should expect OECD states to become increasingly diverse, with those dependent on active finance capitalism (the UK, the USA) looking increasingly different – and possibly defining their interests differently – from manufacturing nations like Germany. Second, and related, we might see more convergence – in interests, attitudes and policies – between wealthy elites from all parts of the globe – and probably even more face-to-face interaction among them in London and New York. They would likely define their common interests above all in terms of continuing and extending current arrangements that enable them to move large personal fortunes around the world and to pay low or zero taxes. That implies the

⁴⁸ But see Maconachie and Hilson (2011).

⁴⁹ Max Everest-Phillips and Ronen Palan. Thanks.

⁵⁰ Scholars label and define financialization in different ways. One useful definition is: 'the increasing dominance of the finance industry in the sum total of economic activity, of financial controllers in the management of corporations, of financial assets among total assets, of marketised securities and particularly equities among financial assets, of the stock market as a market for corporate control in determining corporate strategies, and of fluctuations in the stock market as a determinant of business cycles' (Dore 2000). Braudel's concept of *disembedded capitalism* points in the same direction: capitalism is 'a series of layers built on top of the everyday market economy of onions and wood, plumbing and cooking. These layers, local, regional, national and global, are characterized by ever greater abstraction, until at the top sits disembodied finance, seeking returns anywhere, uncommitted to any particular place or industry, and commodifying anything and everything' (Mulgan 2009).

further development of another correlate of late twentieth century globalisation: rising income inequality within almost every political jurisdiction. But this takes us well beyond any governance agenda likely to be embraced by official international organisations, and so is a good point to stop.

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