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The Political-Economic Logic of World Governance

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Abstract The article identifies, neutrally, several factors together making for world governance, by whatever name. These are a desire by people to participate in the making of decisions that affect them in important ways and the growth of international political externalities. The analysis is conducted with consideration given to the nature and scope of governance, vis-à-vis government, the role and significance of international organizations, and the logic of representative democracy. The result amounts to a political equivalent to the merger solution for externalities.

Keywords: externalities, governance, world government, democracy

I. INTRODUCTION

The objective of this article is to identify and explain the political-economic logic of certain developments in the world today. I do so in terms of a force which I perceive to have been operative in the West for several centuries: a perceived historically increasing desire by elite and non-elite people to participate in the organizations that make decisions that affect them in important ways. Those decisions involve political externalities. This desire is a factor in and of itself, and the recognition of political externalities both helps further motivate the desire to participate and channels the direction that participation takes. Both increasingly happen in the context of the global or international stage, hence world governance.

These developments are not the only phenomena observable. The developments dealt with here are centripetal rather than centrifugal; they deal more with increased concentration than with increased diffusion of power. By *power* I

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mean participation in political (broadly defined) decision making and/or the bases thereof (Samuels 1992).

Let it be clear that my objective is neither to applaud nor to condemn these developments, the perceived logic of development, or the possible, if not likely, consequences. Actually, I have considerable personal and intellectual ambivalence about much of what I say—though not about the *fact of logic of development*. In any event, the interpretation given here has been intended to be neither a jeremiad against existing arrangements nor a Panglossian whitewash of a future of world government. My normal cynicism certainly limits the applause that I can render for either present or future.

Indeed, my objective, for all its breadth of scope, is actually both quite limited and abstract. (1) I am *not* predicting the future. I am concentrating on what I perceive to be a major force, or logic of development, that has been at work for several centuries in the West. (2) I am specifically *not* predicting that the future will be one of a world government of representative democracy. The future may well be one of continued diffusion of power and continuing diversity of form and structure; it may well be one of tyrannical concentration(s) of power. I am only saying that elements of world government, consequent to the logic of development on which I concentrate, are already present. (3) I abstract from the varied meanings that democracy can have, from the varied modes of its institutionalization, and from the problem of democracy in form and not in substance. (4) I abstract from the varied forms of corporate governance, of political governance, of combined corporate and political governance, and of supranational or world governance. (5) I acknowledge, even stress, that what is concentration of power by one criterion may be diffusion of power by another, and that both are, at least in part, a function of selective perception. (6) I acknowledge that any system will have elements of corruption, adding only that corruption is a function of selective perception and that corruption has been a source of continuing primitive accumulation. (7) My time frame is neither “now,” next year, nor the remainder of my lifetime. Given my focus on the last three hundred years, my time frame is a century or more, while taking cognizance of the substance and pace of twentieth-century developments. (8) Other forces are at work at the world. These include nationalism *per se*, nationalism manipulated by multinational corporations (though this may work in various directions), ethnicity and religion, the quest for power by dictators and would-be dictators, environmental problems (this too may work in various directions), and so on. The questions of which forces will predominate and in what mix and whether, at some point in time, power will be more diffused or more concentrated, are beyond my purview. (9) I do not assume that the desire by people to participate in the organizations that make decisions that affect them

in important ways is necessarily the main preoccupation of people. It is for some people—especially those with the law-making mentality, who are particularly conscious of the artifact and policy nature of sociopolitical arrangements—and *not* for others—those with a law-taking mentality; most people are most of the time interested in more personal and more mundane matters. The historical process by which policy consciousness and the desire to participate has grown and extended to increasing numbers of people is also beyond the scope of this discussion. (10) I think that analysts need to develop the skills and orientation with which to distinguish between questions of what in fact happens and the verbiage of social control by which what happens is rationalized and legitimized. (11) I am aware that globalization is viewed by many people, not without supporting reasoning and evidence, as a means of projecting U.S. interests and hegemony. If the U.S.A. or any other nation or bloc of nations did not act that way, it would be surprising. The more interesting question is which interests the U.S.A. somehow decides are *its* interests.

I first consider the nature and scope of governance; second, the nature and logic of political externalities; third, the rise, role and significance of international organizations; fourth, the logic of representative democracy; and, finally, several respects in which ambivalence toward future developments will inevitably arise. The logic of development, to reiterate, is driven by a perceived historically increasing desire by people to participate in the organizations that make decisions that affect them in important ways, now increasingly operative on the global stage.

II. GOVERNANCE

We conventionally think of governance in connection with government, the aggregation of political institutions that we know as the nation state. This view is hardly surprising. One reason is the importance of the nation state, relative to organized religion, as formal social control. Another resides in our political history: Political power was wrested from post-medieval dynastic monarchical rulers and the modern state was created in which individuals were no longer abject subjects of their rulers but citizens. Individuals came to have rights as citizens and not whatever was allowed them by their betters. Moreover, in the liberal social democracies, how ever much these are marked by socioeconomic class and plutocracy, increasing numbers of people acquired the rights of citizens, including the right to vote, and the conduct of government became, at least in part, responsive to a wider range of interests.

The logic of both the transformation of the state from medieval or post-medieval to modern nation state and the extension of rights to eventually all

persons, especially all adult persons, is clear: It lies in the proposition that people will seek to participate, either directly or indirectly, in the making of decisions which affect them. This proposition is given voice in the slogan of the American Revolution: No taxation without representation. (So the transformation also included, how ever haltingly, the relation of colonies to their respective imperial powers.)

Let us now pose a definition of *governance* along the same lines: Governance encompasses all those who make decisions that affect other people. By this definition, governance includes not only the positions and personnel of official government, government in our ordinary parlance, but all those with the power to affect other people. Governance would thus encompass businesses whose decisions affect other people in important ways.

The dominant mindset of Western civilization envisions business decisions to be mediated and controlled by the market, which may or may not be in part an illusion. If, however, one accepts that (1) markets are in part structured by and give effect to both the actions of business and the laws which form markets, including business influence on forming the laws shaping their market, (2) no market solution is uniquely optimal in the sense of Pareto optimality, (3) markets are not necessarily competitive, (4) private property need not include the right to charge monopolistic and/or discriminatory prices, damage the environment, cause economically catastrophic problems for workers and other people, and so on, then this mindset is eroded. Such has increasingly been the case in the twentieth century. People have, or come to believe they have, an interest in businesses that affect their social and economic well-being.

For example, the U.S. Supreme Court, following the lead of Lord Chief Justice Hale, in his treatise *De Portibus Maris*, employed such phrases as property “used in a manner to make it of public consequence, and affect the community at large,” “a use in which the public has an interest,” and to be “controlled by the public for the common good.”¹ These phrases are inconclusive. One does not know, and one does not have specific criteria by which to determine, when these conditions hold and when they do not. But the holding—and numerous others—indeed, one might say the major thrust of modern constitutional jurisprudence in the twentieth century, important reversals and modifications notwithstanding—clearly illustrates the point I am making. People have, or come to believe they have, an interest in businesses whose decisions affect their social and economic well-being in important ways—what constitutes

1 *Munn v. Illinois*, 94 U.S. 113–154, 1877, at 125–126.

“important” being subject to selective perception and remaining to be worked out.

By a definition whose vitality is supported by political, including jurisprudential, history, therefore, governance has been coming to encompass all persons and organizations that make decisions which affect other people in important ways.

One key set of factors in how this all works out is people’s selective perception of injury, of evidence of injury, of gain, of evidence of gain, of the relation of injury to gain, and their sense of actual and/or potential empowerment. It is not too much to say that people have become both increasingly sensitive to putative gains and losses and increasingly policy conscious, alert to the artifact and policy nature of much of what goes on around them. People are less willing to accept establishmentarian and elitist rationalizations at face value. People are less willing to accept at face value reasoning such as “it will cost more” as a conclusive argument. They have become increasingly interested in whose costs are to count, whose interests are to be counted as costs to others through their registration and valorization in markets and in politics (Samuels and Schmid 1997).

III. POLITICAL EXTERNALITIES

The concept of an “externality” (and its correlative “public good/bad”) has been defined and theorized in various and diverse ways during the last five decades. This is no place, and we have no need, to survey that history.

Let us define a *political* externality as the substance of an impact of a decision by one governmental authority on the people living in another. Standard examples include taxing and spending decisions by a central city that affect the welfare of suburbs, and vice versa; tariff policy by one country that affects unemployment in another country; policies by one state to exclude the oleomargarine or milk, or genetically engineered food, produced by other states; environmental and natural-resource decisions by one state that influence the opportunity sets of people in other states; and so on. These may not have the dramatic possibilities of range wars between farmers and ranchers but they are important to the people involved. These are political externalities with economic content. Moreover, like all externalities, they are reciprocal in nature: either one party will gain and the other lose, or vice versa, in each case.

With the growth of the global economy, including the internet, the equivalent of common law and statutory protections of interests will emerge. International or transnational agencies eventually will formulate, for example, a body of commercial law controlling economic fraud, and so on. One might consider such

law as performing almost a housekeeping function. They provide a means of internalizing, one way or another, political and economic externalities.

But more is involved. One force driving the development of international governance institutions is internationally organized crime. Presently much of this seems to be the product of drug cartels; in the future, more will involve the internet. Another force, still very incipient, is organized “intervention” into intranational conflicts. Such action may be built on existing international military arrangements, such as NATO; but in time their reaction time will be lessened because they will be part of a world government, and not so much time will be needed to generate resolve.

In all these and other ways, decisions made by individual governments or businesses or by groups thereof will create a variety of external effects on other parties—political externalities or governance externalities. The logic of the situation, like it or not, will elicit judicial, legislative, and executive organizations to address these externalities. Their policies over time will determine who can do what to whom and the form and structure of markets. These policies and these results will not be generated in a pristine, immaculate, disinterested way, any more than they are generated in modern governments and modern corporations; but they will be generated and they will constitute world government. They will represent, in part, the logic of the merger solution to externalities.

The developments and organizations of the future also will be driven by power play among and within various blocs, comparable to phenomena worked out in the past. International organizations will be instruments of social control by dominant nation states, blocs of nation states, corporate interests, and combined nation-state and corporate interests. These organizations will evolve into more or less widely representative world governmental bodies. Simultaneously, international markets will be made and remade.

These developments will be driven by the same forces that have created and changed governance institutions in the past, namely, to encompass all persons and organizations who make decisions that affect other people in important ways.

Consider the following. James M. Buchanan has queried, “what is the *raison d’être* of the nation-state, as it exists?” His reply is telling: “Simple honesty forces us to acknowledge, in 1998, that little other than history itself ties citizens of national political communities together” (Buchanan in Buchanan and Musgrave 1999: 212). Another economist, Josef Falkinger, has reached the logical if not substantive conclusion that in a world of mobile factors of production, “an international tax system, sooner or later, [will be needed] in a world with mobile factors.” He notes that international economic activity will

require “global public rules and international rights,” saying, “there is no choice and we will need some international jurisdiction, and, actually, in some areas we have it already. So isn’t the main task to design the constitution for this international jurisdiction?” (Buchanan and Musgrave 1999: 187). Habituation to notions of national sovereignty is not the only source of inertia. De facto world governance by the U.S.A. and certain blocs of nations, and their interactions, as well as by/through the U.N.—the projection of sovereignty—is another.

IV. INTERNATIONAL ORGANIZATIONS

A handful or so of major and at least several dozen other lesser but not unimportant international (including regional) organizations or arrangements have emerged during the twentieth century. These include the World Bank, the International Monetary Fund, the General Agreement on Tariffs and Trade, the World Trade Organization, the G-7 group of industrialized countries, the World Court, the International Labor Organization, the North American Free Trade Association, and so on, including, as it were, a variety of so-called Non-Governmental Organizations (NGOs). Each of these organizations has their own history. The economic organizations have had several putative overall functions, including: solving international economic problems, organizing the world monetary and borrowing-lending system, establishing markets along desired lines rather than others, imposing certain conditions for domestic reform upon some countries, controlling the nations of first the Third World and more recently the Second World (the former Soviet bloc) in the interests of First-World countries, promoting the spread of the international corporate system, addressing particular problems with the interests of certain nations or groups of nations and/or certain businesses or groups of businesses and not others in mind. These organizations have certain definitions of economic problems in mind and not others, for example, certain notions of global financial stability and of the needs of an international banking system (lender of last resort), definitions which drive their policies and programs. These organizations promote certain versions and agenda of free trade and not others, and typically have been more interested in some version of economic growth than in the conditions of labor and environmental protection; and so on. These organizations in the aggregate form the nucleus of world government, how ever much they are not seen to be such and how ever much they are the instruments, de facto if not *de jure*, of particular coalitions of nations and corporations.

Any particular organization may deal with one or more issues from the set a, b, c, \dots, n ; and may adopt one or more positions on any issue from the set $r,$

s, t, . . . z. The choice of issue and of position, hence of policy, will be determined among a relatively closed circle of decision makers.

Saying all that is neither necessarily to condemn what they have done nor to promote their doing what they have not done. So expressing the functions of these international organizations underscores two key points of present relevance. First, these organizations make decisions that affect the opportunity sets and lives of many people beyond the individual organizations and beyond the nations that control them. Second, the people whose opportunity sets and lives are affected by the decisions of these organizations typically have no direct and/or indirect participation in the organizations.

V. THE LOGIC OF REPRESENTATIVE DEMOCRACY

When we consider governance to include corporate governance and not only official government, when we consider the nature and ubiquity of political (and other) externalities, and when we consider the governance role of international organizations, it is not too much to conclude that the logic that applied to both the transformation of the state from medieval or post-medieval to modern nation state and the extension of rights to eventually all persons within states will increasingly arise in the sphere of international organizations and lead willy nilly to world government. The logic is that of the proposition that people will seek to participate, either directly or indirectly, in the making of decisions which affect them. In other words, as in the past now in the future, and on a larger, global scale, efforts will increasingly be made to substitute for the privileges of established elites the rights of all people. From this has emerged representative democracy with all its beauty and all its warts.

VI. INEVITABLE AMBIVALENCE

Several ambivalent reactions likely will emerge from the developments consequent to the spread of the proposition that people will seek to participate, either directly or indirectly, in the making of decisions that affect them.

The first is the tension between resentment at outside intrusion in “domestic” affairs and the desire to seek redress of grievances emanating from outside one’s nation (thereby intruding in the “domestic” affairs of another nation). The second involves a paradox of power: the tension between power deemed to be concentrated by one criterion and deemed to be diffused by another criterion. The third is a tension between externality solutions and the problems generated by them. Here are operative the principles of opportunity cost and of inevitable problems. All this is in addition to differences of opinion over means and

intermediate ends. The fourth is tension between pecuniary and corporate culture, on the one hand, and other cultures, such as traditional, class, environmental, and so on, on the other hand. This situation is not in principle different from past conflicts between different systems of habits and of culture when modern capitalist market economies were formed and extended into new areas.

One facet of these tensions is the changing nature of the organizations involved in governance. The corporation, especially here the multinational corporation, will have a transformative role, but it too will be transformed. The same is true of the meaning and form taken by democracy. In all cases, however, the problems of hierarchy versus egalitarianism, freedom versus control, and continuity versus change will be present.

VII. CONCLUSION

I am aware that numerous bodies of scholarly work bear on the topics brought together in this paper, and that numerous interest groups have been active (as in the November–December 1999 demonstrations at the Seattle WTO conference). Apropos of all this research and activism, I offer the explanatory principle of the historically increasing desire by people to participate in the organizations that make decisions that affect them in important ways. Otherwise, or, better, additionally, I will be satisfied if this article raises more questions than it answers.

The interpretation and evaluation of developments putatively leading toward world government can be undertaken in two contexts, each involving two bases, the two contexts together comprising a widely applicable model of policy analysis.

The first context is that of ideal versus actual. One basis is an idealized notion or model of how particular organizations and world-governmental decision making in general should be conducted—of which several different versions exist. By this approach, any actual system will appear deficient. Another basis is a realistic picture of how all organizations and systems of governance actually work in the real world—of which, too, several different versions exist. One fundamental question is, whose definition of ideal and/or of actual will become operative as results are worked out.

The second context of the interpretation and evaluation of developments putatively leading toward world government also can be undertaken on two bases. One involves criteria of structure, such that given an agreed-upon structure, any policy result therefrom is considered *a priori* acceptable. The other involves criteria of results, such that any structure is evaluated on the basis of how well it achieves the desired policy result(s). One fundamental question is,

whose criteria of structure and/or of results will become operative as results are worked out?

But one must not compare idealized models of markets and of governance. One must consider how markets and government actually work. These do not involve simple, self-answering questions, and, as in so many other human affairs, there is no simple answer. But there is a difference between proceeding in blind faith in either markets or governance, and with the nitty gritty of how things actually work in practice, like it or not. There is also a difference between defining and interpreting phenomena, including organizations, in terms of certain ideals, and comparing and evaluating them with the ideals. No institution is ideal, but they can be compared with an ideal. The problem then becomes this: just as there is no singular definition of an actual institution, there is no singular ideal by which it can be evaluated. One fundamental question is, whose definitions will become operative as results are worked out?

One must, therefore, not fail to consider both those who are law makers—who understand the importance of law and corporation as governance to their interests—and law takers—those who fail to see the importance of law and corporation to their interests, including those who by virtue of ideology, wishful thinking and/or diffuse interest are prevented or disengaged from seeing the importance of law. One fundamental question is, whose law-making mentality will become operative as results are worked out? The sum of all these fundamental questions is what politics is all about—like it or not.

One's attitude toward centripetal developments if not also world government will be profoundly influenced by one's faith—faith is indeed the apposite word—in markets and in one's nation state. The situation is laden with uncertainty, and perhaps with irony: It may be that world government will promote free trade and a market economy as well as a variety of human rights and other human interests. The story will be in the details, those of different forms of market and of world governance²—all of which likely will be interpreted in various ways. It is already the case—to the dismay of some, of course—that national sovereignty has been eroded. But—and herein lies another irony—much of the erosion is due to the increasing hegemony of corporate governance, increasing globalization of the economy, and the operation of market forces.

² Expressing the point this way does not negate my view that markets are part of the governance system (a mode of social control) and are in part a function of other institutions that form and operate through them.

Surely a pluralist liberal democratic world society will require institutions to countervail the power of business—the corporate system—and to promote the interests of labor and communities and a safe and secure environment.

Thomas Jefferson may be interpreted as having desired a socioeconomic system in which every man was a property owner, in which all, or substantially all, markets were local or narrowly regional, and in which the government that counted was local government. With the growth of national markets and other developments, this utopia was effectively doomed. Governance came to include much more than local government; business, big business, and central government, big government, came to dominate.

The argument of this article is that the centripetal process continues, like it or not. As in the past now in the future, and on a larger, global scale, efforts will increasingly be made to substitute for the privileges of established elites the rights of all people, driven by the historic desire by people to participate in the organizations that make decisions that affect them in important ways. And as in the past now in the future, this will be seen as revolution, as destruction of rights, of negation of sovereignty, as communism or socialism, and so on. But the logic illustrated by “no taxation without representation” will continue, more or less unabated if unevenly and haltingly, as it has in the past.

In other words, conflicts of freedom and control and of hierarchy and equality that hitherto have been largely intra-national in scope, will be replayed on a global scale; elite and non-elite interests typically are not harmonious. These conflicts may lead to reductions in the gap between rich and poor countries. (Past international economic aid has been driven more by national interests within the context of the Cold War than by humanitarianism; the future is an open question.) The conflicts may alternatively lead to a leveling of labor in various countries, to the advantage of elite classes, or to the rich countries using international organizations to control the poor ones, or to dominance by the international/global corporate system. How markets are to be structured and whose interests are to count, as well as solutions to environmental problems, will have to be worked out. Such will be the core of world governance, driven by political and economic externalities coupled with the desire to influence if not control decision making which affects elite and non-elite people in ways deemed important by them.

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