# REVIEW ARTICLE

## The Changing Position of the State and State Power in Global Affairs - Views from two scholars in International Political Economy

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*Structural Conflict – The Third World Against Global Liberalism*. By STEPHEN D. KRASNER. Berkeley: University of California Press, 1985. 314 pp. ISBN 0 520 05478 4

*The Retreat of the State – The Diffusion of Power in the World Economy*. By SUSAN STRANGE. Cambridge: Cambridge University Press, 1996. xvii + 199 pp. ISBN 0 521 56440 9

### INTRODUCTION

A great deal of enlightening work has been done since studies in international political economy have become a recognised academic discipline. This has changed our conception of the domain of international politics and economics. Still, there are some scholars who prefer to use old spectacles to view new problems. This review article concentrates on two books, one from each of these camps. Stephen Krasner's *Structural Conflict - The World Against Global Liberalism*, belongs to the realist camp which still embraces state-power ideas about international relations (IR), while Susan Strange's *The Retreat of the State - The Diffusion of Power in the World Economy*, belongs to the international political economy (IPE) camp, where emphasis is placed on multiple actors in the international arena. To determine the content of

each book and to get clarity on the perceptions and approaches of each author the two books are discussed separately starting, first, with Krasner. This is followed by an examination of the central theme of each book - the role and nature of authority in international/global politics/economics. Here, some of the ideas of other scholars are highlighted, and certain theoretical issues are addressed. The paper concludes with a few ideas regarding change in the global environment in which we find ourselves, and the manner in which these have been addressed by the authors under review.

## KRASNER'S *STRUCTURAL CONFLICT*

In chapter one, Krasner (1985: 3) introduces his argument stating that most explanations of North-South relations focus on economics at the expense of politics, "on material well-being as opposed to power and control". Most Third World states are domestically and internationally weak and are concerned about their vulnerability. One of the strategies that Third World states have used to gain power and control (political objectives) is to change the rules of the game where they have had access to key international agendas. This has brought them into conflict with Northern interests, because "most Southern countries cannot hope to cope with their international vulnerability except by challenging principles, norms, and rules preferred by industrialized countries" (Krasner, 1985: 3).

Krasner (1985: 3) states that weakness and vulnerability are fundamental sources of Third World behaviour. Externally, Third World states lack national power because they are unable to utilise their economic and military resources, and internally they have underdeveloped political and social systems. One of the prime strategies for coping with vulnerability is to establish and maintain international regimes that will benefit the Third World by endorsing "principles and norms that would legitimate more authoritative as opposed to more market-oriented modes of allocation". Authoritative international regimes are seen as beneficial to Third World states because they provide more stable and predictable transaction flows. Krasner's (1985: 5) argument is not that developing countries prefer control to wealth, but rather that authoritative regimes can provide them with both, whereas

market-oriented regimes cannot. In their quest for more authoritative international regimes, Third World states have used two strategies (Krasner, 1985: 6): the first is to alter existing international regimes or create ones that would address its weak position, e.g. the creation of UNCTAD (the United Nations Conference on Trade and Development); the second is to ensure that international regimes recognise the sovereign authority of individual nation-states, that is establishing national controls.

Krasner (1985: 13) says that the behaviour of the North and South will increasingly be motivated by short-term calculations of interest rather than by long-term goals: "Self-reliance - rather than interdependence may serve the interests of the North as well as those of the South". This behaviour can already be seen in what Krasner (1985: 14), referring to Baumgartner *et al*, classifies as two categories of political behaviour, relational power and meta-power. Relational power refers to efforts to maximise the values within a given set of institutional structures to change other players' behaviour. Meta-power refers to those efforts to change the institutions themselves, i.e. to change the rules of the game. The New International Economic Order (NIEO) of the developing world is an example of meta-power, where attempts were made to change the principles, norms, rules and decision-making procedures that condition international transactions.

Believing that vulnerability rather than poverty is the Third World's drive for transforming international regimes, Krasner (1985: 27-28) confirms that his study is based on a realist/structural approach to International Relations (IR). States are the basic actors in the international system and they condition the behaviour of other actors (e.g. Multi-National Corporations, Non-Government Organisations, and International Organisations) in their quest for territorial and political integrity. Olson (1979: 471, in Baldwin, 1996: 154), who states that the principal actors in the world political economy are multinational corporations, international financial institutions, and national governments, reflects the same notions. Olson refers to Galtung's theory of economic sanctions which has as point of departure vulnerability, the understanding of which depends on concentration - where the more a state's economy depends on one product or trade with one partner, the more vulnerable it becomes. States are not always free to act as they

please as a result of structural considerations such as the distribution of power in the international system, the individual state's place in that system, and certain domestic factors such as ideology, interest groups, state-society relations, and resources. Third World states are very vulnerable to changes in the international economic environment precisely because of their position in the international system. For this reason both international power and international regimes have become very important to Third World regimes, as command of the first can lead to access to the latter.

In chapter two, Krasner explains the structural causes of Third World strategies. He states that "(I)nternational asymmetries of aggregate and issue-specific power resources are very high" (Krasner, 1985: 32). Because developing countries have weak domestic structures and are internationally vulnerable, they adjust with great difficulty to externally generated disturbances and systemic shocks. Only a very small number of the larger developing nations, such as India and China, have had reasonable success in following isolationist type economic policies, and even these states are attempting now to integrate their economies into that of the international economic system. Other developing countries, e.g. the Newly Industrialised Countries (NICs) of East Asia, have developed "flexible and adaptive domestic and political structures" to help them adjust to external pressures and to make maximum use of different opportunities in world markets (Krasner, 1985: 58). Despite these attempts, the majority of developing nations remains weak internationally and domestically. Market-oriented regimes may provide these states with economic benefits, but this is no guarantee of domestic stability during periods of global economic upheaval.

Krasner focuses on Third World goals and the determinants of success in chapter three, where he repeats that developing countries have acted in favour of international regimes based on authoritative, rather than market allocation. In doing so, they have attempted to use a coherent set of programs to challenge the liberal rules of the game, which Krasner (1985: 85) describes as a "self-reinforcing mechanism of exploitation". The variables that Krasner (1985: 59) states have influenced the extent to which the Third World has been able to influence regimes in its favour are, firstly existing institutions. The most important general institutional

structure for the Third World has been the acceptance of the principle that sovereign states are equal. This principle combined with open membership to organisations such as the United Nations, have made it possible for developing countries acting in unison to greatly influence and even determine certain international agendas. The second variable is the relative power position of the United States that saw a decline, especially since the 1960s. The United States continued to recognise universal international organisations but was not in a position to completely control its agendas anymore. The third variable is the degree of ideological coherence, or movement of thought, that the Third World has managed to establish (Krasner, 1985: 60). Since the late 1940s, the developing world has developed a "cognitive alternative" to the predominating liberal set of ideas, of which a subjective self-identity was one of the most important[1]. The Third World succeeded in depicting the global economy as an "engine of exploitation", and thus was able to justify a move from liberal to authoritative norms and rules over a wide range of issues (Krasner, 1985: 94).

In chapter four, Krasner (1985) explains that the Third World's behaviour is not simply a response to inadequate economic performance. The South has shown remarkable improvements in infant survival, longevity, and literacy and especially oil producing states and newly industrialised countries (NICs) have done well. The meta-political strategy followed by the South is not the result of any international regime failing to ensure economic benefit, but rather the reaction to insecurity and vulnerability experienced by the South while acting within existing rules. Krasner (1985: 96) states that the response shown by the Third World to the rise in oil prices as a result of OPEC actions, indicates that economic factors were and are not the only driving force behind Third World actions. Despite higher trade deficits for almost all LDCs, they supported OPEC in keeping with their coherent cognitive frame of mind that opposed the hegemony of the rich North. Thus, Krasner (1985: 110) believes that "analysts who see material considerations as the fundamental motivation of third World behavior do not have an adequate argument". Krasner (1985: 123-124) believes that the developing world has managed to influence or change all regimes to which they had access.

[1] Haas (1980, in Young, 1996) pronounces similar ideas when reflecting on the intellectual coherence in the demands of Third World countries.

At the least, they succeeded in undermining the liberal norms and principles that were established directly after World War II.

In Part Two (Chapter VI-IX), Krasner uses a case study of the most important issue areas in the North-South debate. It appears that Third World states have used a "meta-political strategy designed to alter principles, norms, rules, and decision-making procedures, as well as relational power strategy" with reasonable success (Krasner, 1985: 175). This success can be related to the utilisation of existing institutional structures, declining American power, and the presentation of a coherent intellectual alternative to liberal capitalism. By using the "constitutive principle" of the international system, developing countries have changed the rules of the game in their favour with regards to direct foreign investment (Krasner, 1985: 195). In the area of transportation, developing countries were satisfied with the status quo in civil aviation because the existing regime encouraged the development of national carriers. In the area of shipping, changes were sought because most of the world's fleet is owned and run by industrialised states, and here the regime discouraged the development of national carriers (Krasner, 1985: 226). The regimes governing the global commons[2] also warrant a brief mention. Krasner (1985: 228) states unambiguously that in all global commons issue areas, the developing world has supported regimes based on direct or indirect authoritative allocation rather than the endowment of individual public or private actors. In the area of global commons, disagreements about general principles and norms between the industrialised and developing world exist that reflect international power disparities which cannot be overcome. Krasner (1985: 264) states that mutually desired patterns of behaviour are therefore more likely to emerge from arrangements focused on specific problems and rules rather than on general principles.

In chapter ten, Krasner gives an indication of what his analysis accepts and rejects. He makes certain predictions, and reaches certain analytical conclusions. Firstly, Krasner's (1985: 267-8) realist-structural approach rejects conference diplomacy (because it will end in frustration) and attempts to change sovereign-subject relations (as it infringes upon

[2] The *global commons* refers to areas that are difficult to enclose or privatise, such as the oceans, Antarctica, space, and the electromagnetic spectrum (Krasner, 1985: 227)

states' rights of sovereignty). Prescriptions on policies for the North include the following: specific bilateral and multilateral transactions can be entered into under the existing rules of the game; certain existing international regimes operating on the principle of authoritative allocation can be supported; and the North should consider the establishment of new international regimes based on authoritative allocation and thus move away from those governed only by principles of market allocation. What Krasner does not admit (or recognise), is that it is not always up to states to make these decisions. The markets and economic relationships are the sources of these decisions.

Krasner (1985: 269, 294) makes the pessimistic prediction that the skewed distribution of power in the international system will result in continued tension and conflict in North-South relations. This conflict is a result of "deep asymmetries of power" that leave almost all developing countries exposed to changes in the international environment. There are three possible developments that could lessen the intensity of North-South conflict: improved capacities for some developing countries, less Northern concern with existing international organisations, and more collective self-reliance for the South and consequent delinking from the North (Krasner, 1985: 269-270). According to Krasner (1985: 301-2) both dependency theorists as well as realist thinkers favour a delinking strategy over the long term. This brings Krasner (1985: 270) to the conclusion that a realist or structural interpretation, as opposed to an economist-Marxist one, is to be preferred. The irony in this argument, from a structuralist point of view, is that it is precisely the use of a realist approach by the rich industrialised countries that has led to the exclusion of developing countries in the construction and direction of global economic structures.

Krasner (1985: 306) makes an important distinction between "economistic perspectives" and "realist approaches". The first is concerned with "utility-maximising individuals", people seeking to improve their wealth; the second is concerned with the behaviour of the state. For Krasner (1985: 306) the state is a meaningful concept because "the foreign policy behaviour manifested by these institutions is primarily influenced by the distribution of power in the global system and the place of the particular state in that system". Individuals, on the other hand, are

restricted by the "structural constraints imposed by the balance of power"[3].

Krasner (1985: 307) maintains that the Third World has consistently attempted to move regimes from market-oriented toward authoritative modes of allocation to improve both their power and wealth situation; and thus address their situation of vulnerability in a world dominated by the industrialised North. The national power disparities between the North and South can however not be removed in a short space of time and it is to be expected that this will remain a cause of conflict — a problem which, according to Krasner, cannot be solved. A problem with this view of Krasner is that it is not states, but rather markets that create wealth. Another factor, which conflicts with Krasner's notion of political power, is that most states do not seek territorial expansion as a reflection of their power. Rather, states seek a proportion of the market share for their national economies as a reflection of their desire to be a player in the world economy. This is the thinking that inspired Susan Strange to write a book that explains the gradual demise of nation-state authority in the international system.

## STRANGE'S *THE RETREAT OF THE STATE*

Susan Strange's *The retreat of the state* (1996) has as main theme the decline of state authority in domestic and international affairs. She states that most governments fail to render services traditionally ascribed to states – "the maintenance of civil law and order, the defense of the territory from foreign invaders, the guarantee of sound money to the economy, and the assurance of clear, judicially interpreted rules regarding the basic exchanges of property" (Strange, 1996: *xii*).

Strange (1996: *xiv*) reminds us that "politics is larger than what politicians do", and that it would be prudent to look at the power exercised by authorities other than the state. In Part 1, she lays the theoretical foundation for her argument that "the impersonal forces of world markets are now more powerful than the states to whom ultimate political authority over society and economy is supposed to belong". If

[3] Strange (1996) prefers not to maintain this distinction between state and economy, because authority and the market cannot be separated in the integrated world that we find ourselves in after the Cold War en the development of communication technology.

Strange is to be believed, the once more-powerful states have had to make room for more-powerful markets. This leads her to mentioning some paradoxes that immediately springs to mind, firstly, that state intervention in the lives of individuals seems to be increasing; second, while some states (in Europe and America) seem to be losing state authority, various communities and aggregates of people around the globe are striving to have their own states; and third, the decrease in state authority seems to be an Anglo-Saxon phenomenon and is not felt by the Asian nations. These paradoxes are real, but time should indicate that both the unity and authority of these governments will decline (Strange, 1996: 7). An example to support Strange's statement is the recent move by diamond giant, De Beers, to try and salvage the sinking currency ship of Russia - an example of a private company coming to the economic aid of a nation-state.

One of the primary causes of the shift in state-market power is **technology** (Strange, 1996: 7). Technological developments since 1945 has meant that states are no longer able to defend themselves against the worst that military technology has to offer (mutually assured destruction). Competition is also not so much about territory today, as it is about getting access to and control over certain markets. **Finance**, says Strange (1996: 9), is the second factor that is often neglected when a too narrow state-state focus predominates. Against this background, Strange (1996: 12-13) explains the three premises that guide her argument: that politics is a common activity not confined only to politicians; that power over outcomes is exercised impersonally by markets; and that authority in society and over economic transactions is legitimately exercised by agents other than states, and are broadly accepted by those subject to it.

In chapter 2, Strange examines power and how it should be treated in international political economy. She defines power as "...simply the ability of a person or group of persons so to affect outcomes that their preferences take precedence over the preferences of others" (Strange, 1996: 17). She also criticises other scholars in IPE for not maintaining adequate focus when power is a concern (Strange, 1996: 23). Power is still primarily seen as capabilities, as "a property of persons, or of nation-states as organised societies". This focus excludes looking at power as a feature of relationships or as social processes that affect outcomes. Here, Strange introduces the Gramscian perspective as set out by Robert Cox

(1987) in *Production, Power and World Order*, where the focus is on the production structure. Production makes it possible to transform resources into instruments of power that shape the relationships between international actors — relationships that were shaped by political actors (states). This brings Strange (1996: 24) to the conclusion that understanding of the international system, or "world order", requires that the international political system of states and the global production structure receives equal attention.

Cox (1987: 109) has indicated even before the end of the Cold War, that the world order has undergone certain structural changes, the first of that was the formation of a liberal international economy, followed by an era of "rival imperialisms". The era after World War II he calls the "neoliberal world order". This last structural change is characterised by the internationalisation of production and the internationalisation of the state. In the internationalisation of production, knowledge in the form of technology is the principal resource in the world economy. Cox (1987: 244) says that money can be made by those with knowledge assets, e.g. in international credit. The internationalisation of the state means three things to Cox (1987:254): first, there is a process of interstate consensus formation that takes place within a common ideological framework (liberalism); second, participation in this consensus formation is hierarchically structured; and third, the internal structures of states are adjusted to bring national policies in line with the global consensus. This has led to a formation of global societal forces which Cox (1987: 263) calls "internationalizing corporatism". Cox's ideas are reflected more in the work of Strange than in that of Krasner.

In chapter 3, Strange talks about "the limits of politics", and states that political science students have defined their subject too narrowly, concentrating too much on the state. Where economics comes into the picture, it is necessary to adopt a broader definition that will include non-state players who are able to exercise power over others. Elsewhere, Strange (1995: 161) indicates that the state is no longer able to exercise control over the domestic economy and can therefore not be regarded as the primary unit of analysis in international politics. The "invasion by transnational structures of the prerogatives formerly associated with the

state means that the state shares its role as a unit of analysis" with other states and non-state authorities. A definition proposed by Strange (1996: 34) for politics is "those processes and structures through which the mix of values in the system as a whole, and their distribution among social groups and individuals was determined". Strange (1996: 36-37) identifies some conceptual problems that could be resolved by such a broader definition of politics. The first is the separation of domestic politics from international politics in literature and teaching. By extending the focus from states to all players with authority, it is possible to ask how and by whom values are allocated and political decisions taken to affect outcomes. The second conceptual problem is the synthesis of the political system of states and the economic system of markets. Again, Strange (1996: 38) indicates that by extending the definition of politics beyond states "to all sources of authority, to all with power to allocate values", it is possible to treat the different worlds of government and business as one.

In chapter 4, Strange explores how far and in what ways transnational corporations (TNCs) have "encroached" on the authority of the state, why this happened, and what the consequences are[4]. Strange (1996: 48-51) focuses attention on three changes in international production that have had political significance. The first is the diversification from minerals, agriculture and primary production to processing, manufacturing and services that the majority of TNCs have undergone. Second, international production has become truly multinational where firms that produce goods and services internationally originate from many countries. Third, is the switch in employment and in trade from manufacturing to services.[5] Strange (1996: 52) points out that the old North-South asymmetry between manufacturing production (North) and primary production (South) is repeated between sellers and buyers in the changed production system of the 1990s. Together, these three trends indicate a substantial shift of power "from territorial states to world markets, and indirectly to the major players in those markets, the transnational corporations" (Strange, 1996: 53).

[4] Hurrell (1995: 138) states that the proliferation of environmental regimes is evidence of the way in which state authority is being extended and reasserted.

[5] Strange (1996:51) mentions transport, communications, data base information finance, asset management, advertising, public relations, auctioning, publishing and marketing, international legal services, accountancy, management consulting, medical, education, architecture, construction, hotel and tourism as some of these services.

This brings Strange (1996: 54) to four hypotheses that support her argument that TNCs have encroached on the power of states in determining the allocation of values: (1) States have *retreated* from their ownership and control over industry, services and trade, and from directing research and development of technology (privatisation); (2) TNCs have done more than states in relocating wealth to the developing world (relocating manufacturing industry); (3) in labour relations, TNCs have taken over from governments the role of managing and resolving conflicts of interest (labour management); and (4) TNCs have increasingly managed to escape taxation of corporate profits and have themselves become collectors of certain revenues (taxation). Strange (1996: 65) reiterates that TNCs have not taken over from states where these matters are concerned, but they have managed to make significant inroads into certain areas that have in the past been the exclusive domain of national governments.

In chapter 5, Strange explores the argument between IPE scholars that think nothing has changed, and those that think that considerable changes have already taken place. She favours the latter. The main points of difference between the international relations and international political economy writers include, first, that states are regarded by IR writers as the primary actors, while IPE writers focus not only on states but also on non-state actors such as MNCs, NGOs, and individuals; second, IR writers regard states as unitary actors, while IPE writers contend that this is a gross oversimplification; third, IR theorists accept that war and peace (and the resolution of conflict between states) is the primary issue in world politics, while IPE theorists want us to extend the scope of investigation to include any factor that influences security, such as food shortage, disease, pollution, refugees, drug-trafficking, etc; and fourth, IR thinkers maintain that individuals still maintain a strong identity with the state that they regard as theirs, while IPE theorists argue that perceptions of individual identity are much more complex than such a simplistic explanation. Identity is cultural and geographical as much as it is political, and very few states have entirely natural and organic national identities (Strange, 1996: 68-70). The majority of states, says Strange (1996: 72) cannot claim a degree of loyalty from the citizen

"substantially greater than the loyalty given to family, to the firm, to the political party or even in some cases to the local football team".

Strange is certainly not alone in her ideas on the changing role of security. Tickner (1995: 181) indicates that some Northern perspectives of security are moving away from "military-centered notions of national security", and others are reviving traditional ideas of national security along the lines of a Pax Americana (hegemonic stability theory), while Southern perspectives are shifting to a multidimensional definition of security which emphasises security interdependence. In similar fashion Groom and Powell (1994: 84) indicate that the world is state-centric no more, and that governments now find it difficult to provide the twin elements of legitimacy - security for its citizens and a secure economy. Thus, security is not just about the causes of war and conditions for peace anymore, it is a much broader concept. Security is best conceptualised in a context of world order and global governance (Groom and Powell, 1994: 85).

Strange (1996: 72) emphasises that she is not attempting to say that the state is disappearing or in its final days, merely that it is in a process of change brought on by structural developments in the world society and economy. Strange (1996: 73-82) tests this *assertion* by considering ten of the important power responsibilities traditionally attributed to states and claimed for it by many political leaders. For the sake of brevity, these ten responsibilities are listed in table format (see Table 1).

The examination of these ten responsibilities brings Strange (1996: 82) to the conclusion that "the domain of state authority in society and economy is shrinking". What used to be the exclusive domain of state authority, now has to be shared with other sources of authority. This is also evident when extending the examination from the territorial character of the state to the purpose of the state, a concept Strange (1996: 84) borrows from Schmitt. The financial difficulties of maintaining a welfare state character is being supplanted by a "competition state", which means that states have to give up certain monopolies in order to remain competitive in the liberal world economy which does not tolerate barriers. Other authors express similar ideas. Calhoun (1995: 111) makes it clear that states are still powerful arenas for social movements to pursue their

goals, but that the internationalisation of capital and new political forms like the European Community are removing a great deal of power from the grasp of "popular agency mediated through social movements". Gill (1997: 13) indicates that the restructuring of global production and power are transforming the basis of political authority, legitimacy and accountability away from national governments towards global markets.

| No | STATE RESPONSIBILITY | IPE/STRANGE view |
|---|---|---|
| 1 | Defending national territory. | Perceived need exists, but in many states at a lower level. |
| 2 | Maintain value of currency. | Now a national and collective responsibility. |
| 3 | Choose the appropriate form of capitalist development. | States have no choice but to liberalise their economies. |
| 4 | Correcting market booms and slumps. | States can do very little on their own against market fluctuations. |
| 5 | The welfare function. | State budgets are stretched to the limit, and only new standards of welfare spending will ensure the survival of welfarism. |
| 6 | Raising revenue through taxation. | No longer an exclusive monopoly of state power, e.g. criminal associations. |
| 7 | Control over foreign trade, especially imports. | Firms and their responses to the markets determine the content of trade. |
| 8 | Building of economic infrastructure. | In the developed world this function is largely privatised. |
| 9 | Ensuring competitiveness by provision of monopolies. | Structural change has made the protection of monopolies too costly for states. |
| 10 | Monopoly over the use of violence and force. | Mafias and terrorist groups in all areas of the world are the instrumental symptoms of structural change. |

Table 1 (Adapted from Strange, 1996: 73-82)

An increase in cross-border economic integration is making it difficult for governments to control events within their borders. These difficulties, which Lawrence (1996: xx) summarises as "diminished autonomy", helps explain the rise in tensions from the competition between political sovereignty and economic integration. Economic integration is causing certain individuals and groups to ascribe to sets of

global values different to that of the nations to which they "belong" (Lawrence, 1996: xxii). Lawrence, Bressand, and Ito (1996: 22) state that "pressures from divergent national practices, international spillovers, and the erosion of the global commons are leading to direct challenges to national sovereignty". Ohmae (1995:129) is adamant that the nation-state as we know it is in decline when he says it "has begun to crumble, battered by a pent-up storm of political resentment, ethnic prejudice, tribal hatred, and religious animosity". Ohmae (1995: 130) gives three reasons for the demise of state authority: the first relating to the movement of people, ideas information and capital across borders which guides state decisions towards attempt to keep resources; second, flow of information is causing a convergence of tastes and interests; and third, the nation-state, which was an engine of wealth creation in its mercantilist phase, has become a vehicle for wealth destruction. Ohmae (1995: 131) eloquently states that since "nation-states were created to meet the needs of a much earlier period, they do not have the will, the incentive, the credibility, the tools, or the political base to play an effective role in the borderless economy of today". Here, Ohmae indicates that states are incapable of putting *global logic* first in their decisions, and are no longer meaningful units in which to think about economic activity. There are thus various authors supporting Strange's thesis on the retreat of the state.

Part II (chapters 6-12) of *The retreat of the state* contains the empirical evidence for the hypotheses set out in Part I. By first looking at authority beyond the state (Chapter 6), Strange sketches the background to the discussion of six non-state "actors"/institutions which are claiming authority and power on various levels and of various intensities. It is sufficient to only name these: telecommunications, organised crime, insurance businesses, the "Big Six" accountants, cartels, and the econocrats or international organisations.

Chapter 13 contains the conclusions she arrives at after the empirical evidence is presented. In finding an answer to the question, "Who, or what is responsible for change?", which was asked in the beginning of the book to avoid state-centrism, Strange (1996: 185) proposes **technology**, **markets** and **politics**, where politics means more than the actions of governments and politicians. Only such a triangular model can explain changes in international organisation, domestic

policies for national economies, and the competition between firms in the market (Strange, 1996: 187). Another aspect about change is the apparent loss of security in certain areas as a result of power shifting upward from weak states to stronger states, power shifting sideways from states to markets, and in certain areas, the *evaporation* of power where it is no longer exercised by anyone (Strange, 1996:189). Thus, the retreat of the state will be accompanied by a decline in the rule of law and an increase in violent conflict within state borders rather than across them. As Strange (1996: 190) notes, "(n)ow that the world market economy has outgrown the authority of the state, national governments evidently lack both the power and the will to make good the deficiencies of inequality and instability that have always gone with growth and change in market economies".

Another consequence of the retreat of the state relates to the diffusion of legitimacy and democracy. If the "asymmetry of state authority" means that voter-choice will not have meaningful outcomes, the worth of elections will only be symbolic (Strange, 1996: 197). Strengthening, and for some, exacerbating this point, is the fact that none of the non-state authorities to whom authority has shifted was democratically elected. This also has consequences for accountability, which Strange (1996: 198) says is already lacking in the system of global governance which has no form of opposition.

Having examined the content of the two books under review separately, it would be useful to compare them to see what they have in common, and where they diverge on specific issues.

## IR VERSUS IPE

Susan Strange (1994) makes it clear that she regards Stephen Krasner as an IR scholar, and that she sees herself as an IPE specialist. Krasner regards the changes that have taken place since the demise of the Cold War and the Soviet Union and the globalisation of the world economy, as having little effect on the position of states as primary role players in world affairs. Strange is adamant that this view disregards the changes that are causing states, and specifically their authority, to become

secondary role-players (in some cases, non-players) in the globalised world.

It is also clear that the books of Krasner and Strange have different theoretical and different unit of analysis approaches. Krasner claims to be a realist, and his insistence on putting the state and power at the centre of his study confirms this. His explanation of the behaviour of Third World states as being an attempt to address their position of vulnerability when seeking authoritative allocation of resources rather than market forces of allocation does at first seem to place him among the ranks of structuralist thinkers or even dependencia theorists. I think that this could be a premature conclusion, because Krasner's suggestion for improving the position of the South is cloaked in realist jargon. His acceptance of the continued conflict on a national level between sates in the North and South as unsolvable, which is caused by wealth inequalities, also disregards the dramatic advances made by newly industrialised countries and other poor countries in recent decades. It further gives no recognition to the fact that interaction between states, or any aggregate of people, no longer have to be determined by ideological or security concerns as they used to do during the Cold War. A city like Cape Town can have cultural and economic links with cultural groups in Europe; and individuals can move sums of money on a daily base that are larger than the gross domestic product of many recognised *sovereign* states. This latter approach is closer to that used by Strange, who regards herself as belonging to the international political economy camp where the emphasis is on the interaction between markets and states, or wealth and authority.

From the discussion above it is clear that Krasner uses states' authority as his unit of analysis in explaining why governments of the South prefer authoritative allocation when attempting to address their position of vulnerability. Strange, on the other hand, talks of the demise of state authority in certain areas in favour of non-state sources. Although both units of analysis focus on authority, Krasner focuses more on politics (the state - an IR focus), while Strange focuses more on economics (the market - an IPE focus).

From the books of Krasner and Strange it is evident that the study of power and authority and the position of the state are still important and deserve our attention, whether we prefer a more state centered approach (IR), or one where multiple actors and markets are included (IPE). But how should we think about power and authority and the role of states? Are the old ideas about state-centrism still relevant, or should we revise the way we think of authority, regardless of our theoretical preferences? In answering these questions it is useful to remind us of the ways that power and authority were viewed in the past, especially before the end of the Cold War. The respected IR scholar, Keohane (1983, in Young, 1996), saw the actors in international politics as states and governments. Haas (1980, in Young, 1996) points to the importance of state power (and government), and talks of interdependence and knowledge. Jervis (1988, in Young, 1996) also speaks from realist point of view and regards states as the main (only) actors. He does admit that the focus on individual actors has a blinding effect as to the broader setting/context.

Keohane (1988: 379, in Young, 1996: 289) states that "(c)ontemporary world politics is a matter of wealth and poverty, life and death", but indicates that the focus of analysis is state sovereignty and autonomy and there is a clear distinction between politics and economics. Keohane's (1988: 383, in Young, 1996: 293) definition of *institution* refers to "a general pattern or categorisation of activity or to a particular human-constructed arrangement, formally or informally organised". The realist approach in the article by Axelrod and Keohane (1986, in Young, 1996) is evident with their focus on military-security issues, game theory and security in terms of the roles of the state and the military. When they refer to political-economic issues, it is only with regards to trade wars. Krasner (1991: 366, in Young, 1996: 454) indicates that for a large *class* of global issues, the "classic agenda of the study of international politics - security, autonomy, and the distribution of valued resources - power needs to be given pride of place". In a later article, Krasner (1994) maintains his realist stance where state control is seen as central to the explanation of international political economy. He says that states are the "ontological givens in the system, other actors are constituted by the state". Realism is able to account for international political economy and international security, even though it lacks empirical explanation of the absence of war among democratic states (Krasner, 1994: 18).

Susan Strange (1994) differs with these notions of Krasner and other realist scholars when she explains that certain things have changed since the end of the Cold War. She states that technology is *the* major factor in the internationalisation of production that is changing the extent of international business (Strange, 1994: 210). She believes that structural change is transforming the role of the state on a national and global level (Strange, 1994: 213). Change in the four primary structures of finance, production, security and knowledge are eroding state power while creating their own mechanisms for the provision of security, revenue and services previously provided by states. Strange (1995: 172) begs a shift in focus from a state-centred one to one focusing on the system and the mix of values in it. With this is needed a broadening of the concept of power to include structural and relational power, the power to influence the ideas and actions of others (Krasner does talk of relational and meta-power, but only in reference to international structures and state interaction).

Strange (1994: 218) sends a clear message to Krasner and all realists that studying international political economy rather than international relations makes more sense because it extends more widely the "conventional limits of the study of politics, and the conventional concepts of who engages in politics, and of how and by whom power is exercised to influence outcomes".

## CONCLUSION

Krasner's *Structural Conflict* makes a compelling argument for the reasons behind the actions of the states in the South, but his consistent realist notions (even after 1990) of the nature of the international system do not account for real changes that have taken place which affect the role and position of states. This is where I tend to agree with Strange's *The Retreat of the State* argument, that a changing global order is making inroads into the domain of state authority. This means that a realistic explanation of the dynamics in the international system, whether taken from an IR or an IPE perspective, needs to include all role players that execute authority, especially those involved in production and the exchange of capital. This requires a wary eye from all scholars of IR and

IPE on the dynamic changes still in progress, whether they prefer the political, the economic or the eclectic-mix approach. Change is not embraced by all, less even accepted by some. But change cannot be stopped and should not be ignored. It has become part of daily life at the dawn of the twenty first century. We need to shape our thoughts and lives to accommodate change, or be swamped by it. In today's world where authority and power interact with wealth and capital, some scholars seem better able than others to deconstruct these dynamics of change.

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