

TOWARDS A THEORY OF BORDERS:
STATES, POLITICAL ECONOMY AND DEMOCRACY

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ABSTRACT

In contemporary globalisation there has been a general 'lowering' of state borders, with 'barriers' becoming 'bridges', but the process is highly selective. Borders are becoming more differentiated and - paradoxically - more rather than less important. Generalising about them is essential if we are to understand their complexities and particularities, rather than becoming lost in their details. Theory is needed in order 'to see the wood from the trees'. Rather than simply seeking 'common denominators' from a myriad of empirical case studies, theorising also requires an element of deduction based on the changing nature of states and societies in different historical periods. Theorising could focus mainly on political periodization, on cultural identity, on economic arbitrage, or the contradictory relationships between the partially separated spheres of politics and economics. The latter political economy focus is the main concern of this chapter, though it also discusses border arbitrage and the periodization of borders, and its emphasis on democracy provides a potential link to issues of cultural and particularly national identity.

Key words: politics and economics, capitalism, territoriality, sovereignty, arbitrage, border-crossing, world system

VERSO UNE TEORIA DEI CONFINI: STATI, ECONOMIA POLITICA E DEMOCRAZIA

SINTESI

Con l'avvento della globalizzazione si è assistito ad un "abbassamento" generale dei confini, che ha visto le "barriere" trasformarsi in "ponti", sebbene si tratti di un processo altamente selettivo. Con il risultato che i confini si vanno differenziando sempre di più e, paradossalmente, acquistano maggiore importanza. Per poter comprendere la loro complessità e particolarità, è indispensabile analizzarli da un punto di vista generale piuttosto che perdersi nei dettagli. È necessaria quindi una teoria che non faccia di "tutta l'erba un fascio". Invece di ricercare semplicemente dei "denominatori comuni" fra la miriade di casi di studio empirici, una teorizzazione richiederebbe anche un elemento deduttivo sulla natura mutevole degli stati e delle società a seconda dei vari periodi storici. Una teorizzazione potrebbe avere come oggetto la scansione periodica della politica, l'identità culturale, l'arbitraggio economico oppure le relazioni contraddittorie tra le sfere, parzialmente separate, della politica e dell'economia. È appunto l'economia politica l'argomento principale di questo contributo, che allo stesso tempo però analizza anche l'arbitraggio di confine e la divisione in periodi dei confini. Inoltre l'enfasi che pone sulla democrazia fornisce un potenziale collegamento ai temi dell'identità culturale e soprattutto nazionale.

Parole chiave: politica ed economia, capitalismo, territorialità, sovranità, arbitraggio, passaggio di confine, sistema mondiale

INTRODUCTION

Borders and borderlands fascinate in their infinite variety, arbitrary changeability and contradictory nature. They separate - or join - economies at different or similar levels of development, different or similar societies and cultures, members of different nations or the same nation, hostile states or peaceful states. Borderlands are directly affected by the often seemingly arbitrary actions of two (or more) different states, not just their 'own' government. Borders are 'barriers' or 'filters' protecting against an outside world, but they are also 'bridges' or 'gateways' to it. They bring economic benefits to peripheral and often disadvantaged border regions as their inhabitants take advantage of market and price differences; but opportunistic 'arbitrage' activities, whether illegal smuggling or legal trading, may have negative, distorting effects on local economies. For states and state elites, borders are a potent 'ideological symbol' of national identity, which can increase the resources allocated to borderlands. But borders also frequently enclose members of other nations, sometimes against their will, they abruptly terminate the 'political community' and the remit of representative democracy; and the priorities of the state(s) may be very different from those of local border or cross-border communities (Anderson, O'Dowd, 1999a). Furthermore these various border facets - 'barrier', 'bridge', 'benefit', 'symbol' - may contradict or complement and reinforce each other, for while 'bridge' is negated by 'barrier', the latter may have great symbolic significance, as where ostentatious (but relatively ineffective) physical barriers against Mexican immigrants are partly for internal ideological consumption within the USA (see Heyman, 1999).

In all this variety it can sometimes be hard to 'see the wood from the trees' or to move beyond seeing each state border or border area as simply unique to a particular time and place. Generalising inductively from particular cases is difficult and often misleading, or may be confined to typologies and a focus on whether cross-border comparisons or processes are symmetrical or asymmetrical. Deduction may prove more fruitful in developing a general theory of state borders, and at the very least is a necessary complement to induction and empirical case studies. Generalisation is needed, not least to make sense of the rich historical and geographical detail revealed by the empirical research of particular borders at particular times (see for example Wilson, Donnan, 1998), and because borders can be particularly revealing of the entities they contain.

Contemporary 'globalization' and the neo-liberal vision of a 'borderless world' (Ohmae, 1991) highlight both the importance and the possibility of constructing a theory of borders. Neo-liberal ideology suggesting the end of borders is completely misleading - as seen for instance by the contrary trend towards 'Fortress Europe' -

and it is an open question whether a 'borderless', single-state world is even theoretically possible in capitalism, never mind likely to emerge. However, state controls over entry and exit are under growing pressure; and social, communal and economic boundaries seem increasingly de-linked from territorial borders. There is now a general though selective 'lowering' of borders as 'barriers', and increasing permeability to flows of information, capital, commodities and people - or at least some people. The 'filtering' effect of borders varies systematically for different types of activity, and changes in these effects are a hallmark of contemporary globalization. For example, in recent decades there has been a differential 'internationalisation' of state functions, with some departments of government (e.g., finance, trade or industry) much more involved in transnational negotiation and regulation, while others (e.g., social welfare or education) remain more confined within state borders and 'national' terms of reference.

This suggests that historical periodizations of global economic, cultural and political developments provide a fruitful route to theorizing borders. Theorization can however be taken further by complementing the inductive identification of broad historical patterns with a deductive approach which focuses more directly on the selective permeability of state borders, their differential 'filtering' effects, and the changing nature of state territoriality. At least four different approaches can be identified, centred respectively on *political* periodization, *cultural* identity, *economic* arbitrage, and the *politics/economics* relationship. They involve a mix of induction and deduction, and ultimately they would need to be fully integrated into a coherent framework.

Firstly, the changing nature of borders may be explained in terms of a historical periodization of political territoriality and state sovereignty, the internal relations of states and societies and their external interrelationships in the wider system of states. For example, state borders were relatively 'open' in the era of imperialism before World War I; then relatively 'closed' with the growth of 'national' economic 'self-sufficiency' and a closer identification of the state and capital, particularly in the inter-war period; and subsequently there was a progressive '(re)opening' of borders which became especially marked with the intensification of globalization from the 1970s (Anderson, O'Dowd, 1999b).

Secondly, a complementary way of theorizing borders focuses on cultural identities in border areas and their political implications (Donnan, Wilson, 1999). It could encompass nationalism's ideal of the 'nation-state' where the borders of state and nation supposedly coincide, but their frequent lack of congruence in practice, and the conflicts which result (Anderson, Hamilton, 1999). Nationalist doctrine is bound up with territorially-based representative democracy (see below); and nationalism too is susceptible to historical periodisation

which would link it back to the first approach.

A third, more deductive, approach would be to build on the pioneering work of economic location theorists Walther Christaller (1933, 1966) and August Losch (1940, 1954) - who interestingly developed their theories in the inter-war period when borders were relatively 'closed' (Christaller, 1966; Losch, 1954). It could focus for instance on Christaller's 'administrative' or 'territorial' principle in central place systems, the economic advantages of a border location for trading and manufacturing, and the distorting effects of borders and 'border arbitrage'.

The fourth approach, also largely deductive, centres on the *politics/economics* relationship, their partial separation or 'contradictory unity' in capitalism (Wood, 1995; Amin, 1996), and the implications of their differentiation for state borders and differential 'filtering'. Their separation/integration is a central theoretical and practical issue in the functioning of capitalist society, fought over for instance in issues of state ownership, nationalisation and privatisation. It underpins and partly overlaps the related and more familiar distinctions between 'state' and 'civil society', and between the 'public' and 'private' spheres or sectors. Rather than being a contingent factor, the separation arises from within the capitalist mode of production where typically surplus value and economic resources are extracted and allocated not primarily by political means, but mainly by the 'apolitical' mechanisms of 'the market'. However, this separation or 'contradictory unity' has to be re-cast as not so much between 'politics' and 'economics', or 'state' and 'civil society', but more precisely as the exclusion of democracy from the realm of economic production whether in the private- or state-owned sectors. As we shall see, the separation has particular salience for the relations between borders and democracy and economic development. Democracy tends to stop both at the gates of the workplace and at the state border; and the 'politics/economics' separation can be seen as a precondition both of territorial sovereignty and of economic globalisation (Rosenberg, 1994).

This fourth, 'political economy' approach is the main concern of this chapter. It also brings in elements of the *political* periodization and *economic* arbitrage approaches (and is potentially linkable to the *cultural* identity approach via nationalism and democracy), and an adequate theory of borders would need to integrate all four approaches. The chapter suggests that focusing on the 'contradictory unity' of 'politics' and 'economics' provides a good starting point for doing this. It discusses their partial separation as a uniquely capitalist phenomenon and reformulates it in terms of democracy and the absence of democracy (section I). It outlines the connections with political sovereignty and state territoriality or the use of borders as a means of social control; and it discusses 'border arbitrage', suggesting that the

endemic economic and democratic 'deficits' in border regions necessitate forms of democracy which are capable of encompassing both social relations *in* production and border-crossing relations (section II). Some examples of how the 'contradictory unity' has changed historically in the development of the world economy and states system are described (in section III), before speculating on the contemporary and possible future implications for borders (in section IV).

I. THE SEPARATION/INTEGRATION OF 'ECONOMICS/POLITICS' IN CAPITALISM

At the simplest level, the separation of 'politics' and 'economics' involves a 'public sphere' of 'politics' and the state, which is territorially delimited, and a 'private' sphere of economic production, distribution and exchange which can straddle state borders. The separation is structural to capitalism and is materialised in separate 'political' and 'economic' institutions and arenas, rather than being simply ideological. But it is also ideological, as seen for instance in economic deterministic notions that global market forces are impervious to state politics, and more generally in a failure to appreciate the highly problematical and only partial nature of the 'separation'. The conventional dichotomy has to be specified more accurately before discussing the links with territorial borders and the historical trajectory of capitalist globalization.

In capitalism, unlike other social systems, production and the allocation of labour and resources are generally separated off from the arena of 'politics' and displaced to a separate 'non-political' sphere of 'economics'. This uniquely capitalist separation arises from within the capitalist mode of production where surplus value is extracted from the direct producers by the 'apolitical' mechanisms of 'the free market' rather than by political force or other non-economic means. This contrasts with pre-capitalist modes where surplus was extracted from generally 'unfree' producers by political or 'non-economic' methods - by military force, whether wielded by individual slave-owners, feudal lords, or tribute-taking centralised administrations, or, less militaristically, through religious obligation or other traditional ideological processes. Thus political issues of domination and exploitation, which in non-capitalist modes of production were clearly bound up with political power, are in capitalism at least partially de-politicised and transformed into distinctively 'economic' issues - perhaps 'the most effective defence mechanism available to capital', as Wood remarks (Wood, 1995, 20).

In the abstract capitalist mode of production, labour is legally 'free' and 'freely exchanged' as a market transaction for wages or salaries; but their monetary value is less than the value of what is produced, the difference equating to 'surplus value' which is appropriated in the

form of profits, interest and rent. What 'enforces' this surplus transfer from wage or salary worker to capitalist employer is not directly 'political' but the economic needs of the worker her/himself. Workers generally have little or no means of production (farmland, factories, raw materials, etc.) of their own; these are privately owned as capital by the capitalist class; and hence workers have no option but to work for wages or salary. Thus the threat of economic sanctions against workers, individually and collectively - for example, being refused a pay rise or promotion, or worse, being made unemployed - can discipline the workforce despite it being 'free' in political and legal terms.

This process of surplus extraction and capital accumulation happens in capitalism's separate 'private' sphere of 'economics'. However, despite appearances to the contrary, this sphere does not operate on its own or in isolation from 'politics'. On the contrary, it depends on the latter - hence the need to specify 'politics/economics' as a 'separation/integration' or a 'contradictory unity', rather than accepting the conventional false dichotomy of 'independent' factors which may or may not be brought together in an external relationship with each other. The supposedly 'non-political' sphere of 'economics' is in fact bound up with 'politics' in two senses. Firstly, the power relations between capitalist and worker in the 'private' sphere depend on the state maintaining 'private property' and the capitalist class's monopoly of the means of production on which the capitalist exploitation of 'free' labour depends. Coercive force, not wielded directly by the economic appropriator (as it was by feudal lords) but by the state separately from civil society, is ultimately necessary to sustain private property and expropriation (Wood, 1995, 28-9). Secondly, the crucially important 'private' sphere domination via 'economic' sanctions (promotion refusal, unemployment, etc.) is a form of coercive *class politics* rather than simply a technical 'economic' matter, notwithstanding the dominant ideology of legal equality and 'freedom' of labour and the fact that political inequality is not officially recognised (as it usually was in pre-capitalist contexts).

Thus Wood concludes that:

'the differentiation of the economic and the political in capitalism is, more precisely, a differentiation of political functions themselves and their separate allocation to the private economic sphere and the public sphere of the state' (Wood, 1995, 31).

Politics operates but in different ways in the 'private' sphere of 'economics' and the market as well as in the

'public' sphere of 'politics' and the state.

This general argument applies to the capitalist mode of production in the abstract, and is approximated in the dominant liberal capitalist democracies. Surplus is mainly extracted in the 'private' sphere by 'economic' means; and decisions on resource allocation and what/what not to produce are mainly based on private profit criteria, rather than involving the 'public' sphere of politics and the state, much less collective democratic choice. However, the concrete reality of 'actually existing capitalism' is more varied and complex, and the 'private/public' and the 'economic/political' distinctions are in actuality less clear-cut.

Reformulating the 'contradictory unity'

Although more accurate than the conventional dichotomy, the abstract formulation at the level of 'mode of production' is overly schematic and fits an 'ideal world' of liberal or neo-liberal ideology more than capitalist reality. As Barker points out in a sympathetic critique of Wood's formulation, the fact that 'economics' and 'politics' can be separated in capitalism, does not mean they always are separated, or separated to the same extent, and in state enterprises they are effectively merged (Barker, 1997).

'Private' accumulation dominates in contemporary capitalism, and even more so than formerly with the demise of the USSR and the global fashion for privatising state enterprises. It is also true that in this predominantly 'private' system of accumulation, state-owned enterprises, whether in countries such as Britain or in centrally-planned economies, generally operate very much like privately-owned firms in so far as there is little or no worker democracy and an absence of genuinely democratic decision-making over what or what not to produce. Indeed, the acceptance of nationalised industries by private capitalist interests in, for example, Britain was largely predicated on them behaving in a profit-seeking, capitalist way - that is, conforming to the dominant 'political/economic' relationship and behaving as purely 'economic' actors rather than 'political' actors subject to democracy, despite being collectively owned by the taxpayers.¹

But modern states clearly do much more than ensure the necessary political and legal conditions for 'private' capital accumulation. Despite or contrary to neo-liberal anti-state propaganda, they generally combine these 'purely political' functions with substantial direct and indirect involvement in the 'economic' sphere. This is

1 It is interesting to note that Rosenberg takes the nationalised British Coal Board to exemplify the dichotomising of 'economic' and 'political' spheres and the non-neutrality of the state with respect to 'private' political power in production. In the miners' 1984-85 strike, Mrs. Thatcher's neo-liberal government gave the Coal Board management every assistance against its employees while at the same time insisting that the dispute was a 'non-political' industrial dispute and not a matter for the state; its alleged 'only' role was to uphold the 'rule of law' and 'allow management to manage' (Rosenberg, 1994, 128).

most obvious in state-ownership and 'nationalised' industries, but occurs more generally and to widely varying degrees through state regulation, the subsidisation of economic activity, and the provision of physical, economic and social 'infrastructure' (roads, transport, education, health care, etc.), all of which are necessary for capitalist competitiveness. States are heavily involved not only in 'market substitution' via state-run enterprises but also in 'market regulation'. The latter has become more prominent in recent decades at the expense of the former, but at the same time states have become more involved in imposing the competitive discipline of capital on other institutions and society in general (van der Pijl, 2002), and are themselves more competitive economically with each other.

In contemporary capitalism, the 'economic' sphere is thus far from synonymous with the sphere of 'private' capital. As Samir Amin puts it:

'Competition leads to opposition between states as much as between enterprises because capitalism is inseparable from the modern state; they have become inseparable through simultaneous development, and they control together the structures of accumulation' (Amin, 1996, 247).

These added complexities, however, strengthen rather than weaken the basic argument about the 'contradictory unity' of 'politics/economics', but their separation/integration has to be further reformulated.

The 'economic' sphere is not necessarily 'private', but it is separated off from the public sphere of 'politics', and its internal politics are different in that democracy is excluded from the realm of production whether private or state-owned. The reformulation of 'politics/economics' has to take account of state/economy linkages and state capitalist production - largely ignored Wood, and by Rosenberg in applying her formulation to the system of states (Rosenberg, 1994). The reformulation specifies democracy as the key differentiator rather than 'politics' in general. The separation is really the exclusion, not of 'politics' or the state, but of democracy from economic production.

II. STATE SOVEREIGNTY, TERRITORIALITY AND ARBITRAGE

Borders are clearly differential in their economic and political effects, and in very general terms it may appear that:

"Lines of political jurisdiction halt at fixed national borders, while those of economic activity speed on through a myriad of international exchanges without undermining the ramparts of formal sovereignty above" (Rosenberg, 1994, 121).

However, 'economics' do not simply 'speed through', and it is democracy not 'politics' which stops at the border (as at the workplace gate). Political processes as vari-

ous as imperialism and intergovernmentalism, or the participatory democracy of transnational 'social movements' (Goodman, 2002), are clearly border-crossing. Indeed contemporary globalisation has been accompanied by a substantial increase in transnational forms of political governance (see Held et al., 1999). Rather, it is formal state sovereignty and representative democracy which terminate abruptly at borders, and this has the consequence that accountability and governance (despite the substantial increase) are generally weaker and less democratic in transnational contexts than within the borders of the state (see McGrew, 2002; Hirsch, 2002). In more localised cross-border contexts or border regions, the 'political deficit' results from the border truncating democracy and arbitrarily dividing what might otherwise constitute functioning political communities with their own distinct interests and concerns.

Capitalism's contradictory unity of 'economics' and 'politics' cannot properly be understood in isolation from its development over space and time. Its spatial dimension involves formal territorial sovereignty which by definition is delimited by state borders, whereas economic production, distribution and exchange are not. The latter can and do straddle state borders; and given the competitive expansionism of capital, they can indeed be seen as inherently 'transnational'. Private property (in physical forms another major type of territoriality) in the separate 'economic' sphere of civil society has its 'political' counterpart in the absolute sovereignty of the state within its territorial borders. The division of supposedly 'non-political' economics from the 'political' realm of the state is basic to state sovereignty and its sharp distinction between external and internal affairs.

Thus the 'politics/economics' separation relates directly to the differential permeability of borders, and Rosenberg, following Wood (1981, 1995), makes the insightful argument that 'the separation of the economic and the political in capitalism' became a structural necessity both for territorially delimited political sovereignty (untrammelled by 'economics'), and for the globalisation of economic production (unconfined by territorial 'politics' and state borders):

"... the sovereignty of the state does depend on both a kind of abstraction from production and the reconstitution of the state-political sphere as external to civil society ..." (Rosenberg 1994, 128, 172).

State sovereignty depended on the separation of 'the state-political sphere' from production in civil society. The separation gave plausibility to claims of absolute state sovereignty by excluding a 'private' sphere of 'economics' which was allegedly 'non-political' and over which supposedly 'absolute' sovereignty did not have to apply. Conversely, the transnational expansion of capital across borders - 'the empire of civil society' - was facilitated by the separation of the 'private' sphere from the 'public' sphere of sovereign independent states and from

directly political control which would have obviously conflicted with notions of 'sovereign independence'. As we shall see (in section III), the general historical tendency, albeit with some countermovements, has been for transnationalism to depend less and less on formal empires and increasingly to involve looser, more informal modes of imperialism or non-hierarchical cross-border relations.

The separation thus makes possible absolute claims to 'self-determination' and political independence, and a formal sovereign equality of all states, large and small, irrespective of the huge variations in their economic wealth and power. Of course, this formal equality is an unbelievable fiction when set against the increasing unevenness and polarisation between rich and poor states and regions in the global system. Nevertheless, the separation is real enough. While (usually hard fought for) sovereign independence may often seem hollow in economic terms, it is preferable to a colonial status which in addition to 'economic' domination also involves direct 'political' domination as well, much as 'free' labour is a preferable status to indentured, serf or slave labour, even though its freedom is in reality limited.

The formal equality of 'free' individuals in capitalist democracy has its international counterpart in the sovereign equality of states, and both only make sense in 'purely political' terms with 'economics' excluded. The global development of 'free' labour and of 'free' states are indeed opposite sides of the same coin, both dependent on the 'politics/economics' separation. The transnational global economy and the system of sovereign national states have common origins and are structurally interdependent. 'Purely political' sovereignty in the states system rests on economic power in the world market, from which it is partially separated; and power in the world market is dependent on coercive political power in the system of states. As at the more abstract level of the capitalist 'mode of production', there is not a simple dichotomy between a 'global economy' and a 'states-system' but rather a 'contradictory unity' (Rosenberg, 1994, 87-88).

Territoriality and 'border arbitrage'

However, no particular configuration of state borders can logically be deduced from the nature of capital, nor does global capitalism require a particular or fixed number of states. But in the global system, unlike the abstract mode of production, the conflicting classes and competing capitalists are geographically uneven and divided into different national states. What the 'politics/economics' differentiation means for economic development therefore ties in closely with the nature of political territoriality and its implications at borders. National states (along with 'private property') are the prime users of territoriality in the modern world, and given the

ubiquity and usefulness of territoriality as a form of control they are highly unlikely to let it 'wither away'. But territoriality's strengths are also obstacles to transnational or cross-border development.

Territoriality is a particular mode of social organisation and enforcement which operates by controlling access into and out of specified geographical areas. It is a 'spatial strategy' which actively uses territory and borders to classify and communicate; it regulates information, symbols, resources, and people by delimiting and asserting control over territorial borders (see Sack, 1986, 21-34). Its valuable strengths are that it can greatly simplify issues of control and provide easily understood symbolic markers 'on the ground', giving relationships of power a greater tangibility and appearance of permanence. Territoriality is however also inherently conflictual and its assertion tends to generate rival territorialities in a 'space-filling process'. In the interests of control, it reifies power, de-personalises social relationships, and oversimplifies and hence distorts social realities. It can be arbitrarily divisive and disruptive of social processes, its barrier effects at borders often indiscriminate or unintended in their consequences.

Even where borders as 'gateways' between separate polities are seen as a source of economic benefits, their consequences at a deeper level are arguably negative. Borders tend to generate short-term, opportunistic and more questionable 'arbitrage' activities, ranging from trading on tax and price differences to smuggling and associated forms of crime, including the smuggling trade in 'illegal immigrants'. Here Altwater's analysis of the weaknesses of post-Soviet economies in terms of a preponderance of 'arbitrage' as distinct from 'production' or 'extraction' activities may be adapted for border contexts (Altwater, 1998). While the separateness of his three 'ideal types' of economy can be questioned, especially where 'arbitrage' is directly implicated in the sphere of production (rather than being confined to trade which it often is), the concept of 'border arbitrage' does seem to point to endemic weaknesses in the economies of border regions. It suggests that these are deep-seated weaknesses despite the fact that they stem from what are generally seen positively as 'opportunities' by the participants (and understandably so, particularly if their area has few other economic advantages).

Of course, the economic and political 'deficits' associated with a territorially divided system of states are not confined to border regions - for example, the 'arbitrage' of large-scale financial speculation on different interest and currency exchange rates is state-wide, indeed world-wide, in its operations and effects. But we need to distinguish more localised border-crossing processes and 'border arbitrage' which has different characteristics from state-wide arbitrage such as currency speculation. Whereas the latter for instance typically involves 'big capital' and large financial institutions, the former is

usually dominated by 'small capital' and is more likely to include smuggling and related illegalities. The immediate border linkages and effects tend to be more pervasive and intense in border communities, and for this reason border regions may be particularly revealing of wider processes.

'Unaccountable' cross-border effects from neighbouring states which increase risk, and the barrier and truncating impacts of borders which lead to such things as a failure to achieve economies of scale, or a wasteful duplication of investments, tend to be especially marked in regions adjacent to or near borders. These effects generally decrease with increasing distance from the border, though social space may be discontinuous with cross-border linkages and impacts 'leapfrogging' the immediate border area. The general spatiality of geographical proximity and the 'distance decay' of border-related impacts may be further circumscribed by the territoriality of sub-state political units of regional or local government, with border effects being largely confined to territorial units which are contiguous with the border.²

The various border-induced 'deficits' - the economic weaknesses of arbitrage and the anti-democratic, arbitrary and often unintended political effects of borders - all point to the same general conclusion: the need to integrate 'economics' and 'politics' in deeper and more extensive forms of democracy capable of encompassing production and cross-border contexts. And - returning to the inductive identification of broad historical patterns - this task, instead of becoming less pressing with 'globalization' and a general lowering of borders, is paradoxically becoming more pressing for precisely this reason. If 'globalization' is indeed eroding territorial sovereignty and leading towards the emergence of overlapping 'new medieval' or 'postmodern' territorialities, then it is also weakening the already weak representative democracy currently available. In at least formal terms, it is the 'people's sovereignty' which is being eroded, and medieval metaphors are hardly encouraging for democracy (Anderson, 1996). However, they may imply an increased need for participatory forms, though whether these would compensate for the erosion of representative democracy is an open question. But democratic cross-border governance can take a wide variety of forms and it is now more urgently needed, not only because cross-border flows and effects are increasing with contempo-

rary 'globalisation', but also because the contradictions of selective border permeability and its differential 'filtering' effects are increasing as well.

Thus the costs of territoriality are often largely paid in border regions, but in general the partial separation of 'politics/economics' actually helps to reduce the costs. It has not only enabled a territorial definition of sovereignty, and a conception of 'politics' as internal to the national state and unencumbered by economic inequalities between states. It has also simultaneously facilitated a widening and deepening of transnational economic and social integration across borders - 'the empire of civil society' - relatively unfettered by state loyalties and controls, or at least less fettered than would otherwise be the case. However, it would be misleading to see this historical development in functional terms as a smooth process; or as not requiring the traditional extension of the political and military power of states across borders, (as Rosenberg might sometimes be taken to imply). How the 'contradictory unity' developed historically gives a perspective on how it might develop in the future, and whether or not a globalized 'borderless world' is a theoretical or practical possibility.

III. 'POLITICS/ECONOMICS' IN THE DEVELOPMENT OF GLOBAL CAPITALISM

Whether exercised through hegemonic threat or persuasion, client states, and/or direct military intervention or empire-building, the conventional power of stronger states has always been, and continues to be, an inseparable part of capitalist development. The globalisation of civil society has taken a long time historically (from before the 16th century) and is far from complete, despite its acceleration since the 1970s and the world-wide privatisations from the 1980s. Moreover, it is riven with contradictions which help explain why it has not been completed - perhaps even why it cannot be completed under capitalism with its inherently conflictual and uneven development. Cross-border institutions can help to ameliorate some of the negative effects of the contradictions, but obviously these are more in the nature of special territorial arrangements for the particular problems of border regions, not solutions to more fundamental problems of uneven development.

2 It may help to distinguish three main meanings of 'cross-border' linkages and effects. They may be:

- (a) *spatially circumscribed but socially extensive* - i.e., 'cross-border' narrowly defined - linkages which are confined to areas immediately adjacent to the border, or administrative units of local/regional government contiguous with it; but widespread in terms of their social impacts within border communities; or
- (b) *socially circumscribed but spatially extensive* - i.e., confined to particular social institutions, groups or places, but these may be located anywhere in the state territories, and include border effects which 'leapfrog' the immediate border region; or
- (c) *spatially and socially extensive* - i.e., cross-border linkages whose effects have widespread social impact across the whole state territory, as when previously separate entities enter a confederal type of arrangement.

The main developmental tendency, despite reversals and counter-tendencies, has been towards a morglobal reliance on the partial separation of 'politics/economics', with a less general, more selective, dependence on territoriality and borders as the mode of control. The distinctive nature of capitalist borders can initially be understood in terms of historical transformations from pre-capitalist to capitalist territoriality. Thus Amin argues that the specificity of capitalism 'lies ... in the dominance of economic authority' which historically entailed a 'qualitative reversal of the relationship between economics and politics/ideology'. Previously 'power commanded wealth', but now it is 'wealth which commands power' and 'the reversal of political dominance over economics... to that of economic dominance over politics under capitalism' means that the relationships between 'the space of political management and the reproduction of economic life' cannot be treated as qualitatively the same across history (Amin, 1996, 219, 236). Hence borders are qualitatively different.

Similarly, Rosenberg suggests that, uniquely under capitalism, the territorial extension of 'political' power is not essential for economic expansion beyond borders, and that '(c)apitalism is the only historical system which permits the exploitation of productive labour under alien jurisdiction' (Rosenberg, 1994, 87). This can be questioned - feudal landholding often occurred across different jurisdictions at least some of which might be called 'alien' - and the territorial economic expansion of capital was in practice generally associated with 'extra-territorial' state power, colonialism, the hegemonic power of stronger states or the external threat of military force. Nevertheless, cutting through the complications, it is generally true that the 'politics/economics' separation has enabled modern capitalism, and more specifically production as distinct from simply trade, to expand transnationally to a much greater degree quantitatively and qualitatively. Global capitalism now rests more than ever on the partial separation of the 'empire of civil society' from the 'political' sphere of states.

Territoriality and economic development

This helps to explain major changes in the prevalent types of state and state borders which accompanied the development of modern capitalism. Its emergence was made possible by the relative freedom, flexibility and competitiveness resulting from the 'parcellisation' of sovereignty in European feudalism (Merrington, 1978): political authority was geographically divided between 'town' and 'country' as well as between a myriad of states and statelets (in contrast, for instance, to the technically more advanced but highly centralised, socially conservative and effectively restrictive single empire of China). But when the principle of territorial state sovereignty was re-invented in the absolutist states of 16th

century Europe, the initial attempts to assert it were literally 'absolute' and (to modern eyes) bizarrely all-encompassing. Exceptional spatial arrangements, such as the 'extra-territoriality' of foreign embassy compounds and international trade fairs, had to be instituted to stop the principle totally blocking international communication and commerce. However, the main way in which the principle of 'absolute' state sovereignty was rendered practical was not by a spatial strategy of 'exceptional territories', but through the differentiation of a separate sphere of civil society where the principle did not apply, or at least not with the same force or comprehensiveness.

The differentiation related to shifts in how surplus was extracted from foreign labour and these were paralleled by changes in the state system, the political forms of imperialism and associated borders. For example, the early empires of absolutist Portugal and Spain relied mainly on slave labour in overseas mines and plantations which were politically managed from Lisbon and Castile, the single, territorially bounded and unified Roman Empire providing the model, with colonies considered an integral part of the 'home country'. By contrast, the later British Empire was a looser, more politically varied entity where slave labour became less important, and semi-free indentured labour and free labour more important. Furthermore, Britain's 'informal empire' (e.g., in Latin America) did not involve direct British political rule or the territorial extension of British state power (apart from the occasional 'gunboat'), and it was in some instances more important economically than parts of the 'formal' political empire. In the 20th century the USA has continued this trend, its 'empire' almost all 'informal', the internationalisation of its production depending mostly on 'free labour forces and private property rights upheld by alien state authorities' (Rosenberg, 1994, 169, 171). As the contemporary hegemonic power, the US in its foreign policy has actively promoted the separation of 'private economic' and 'public political' spheres across the world, as seen most recently in its promotion of privatization. Generally it has supported sovereign state independence (whether or not democratic) against (other imperialisms') formal empires, and it has opposed post-colonial radical nationalist regimes and centrally-planned economies whose statism would exclude American private capital.

However, the recent historical tendency for hegemony to rely more on economic power and less on direct political domination externally is not the whole story, nor is it linear or straightforward. Counter-balancing it, there has been a tendency for leading states to directly control a larger bounded territory as the 'home base' for the internal generation of wealth, and for becoming militarily more powerful. Thus Giovanni Arrighi in focusing on states which were the hegemonic agencies in successive regimes of capital accumulation, notes that

16th century Genoa was a mere city state, and the 17th century Dutch United Provinces were a hybrid between city state and national state, whereas the 19th century United Kingdom was a full national state with a world empire, while the current hegemon, the USA, is a continental superpower (Arrighi, 1996, 216-217). But Genoa's basis for accumulation was external to its own political borders and was closely linked to the Spanish empire which bore the costs of direct political rule. Genoese hegemony was superseded by the Dutch whose state ceded state-like powers to their giant trading companies (e.g., the Dutch East India Company) and amassed wealth from the territories which they controlled, and by more directly controlling and monopolising the associated shipping routes which channelled trade through Amsterdam. The Dutch were succeeded by Britain whose accumulation of wealth also involved the political monopolisation of shipping routes but was by comparison even more dependent on direct territorial rule - more internal to its own political borders - in the form of the British Empire (though as already mentioned, the British also had a significant 'informal empire'). In contrast, today's US hegemony has mainly been based on an 'informal empire' and a more thorough-going reversion to cheaper accumulation beyond its own borders. On the other hand, its power springs from directly controlling a much larger 'home base' - a bounded territory of continental scale - and furthermore it has extended this 'home base' by incorporating Canada and Mexico in NAFTA. The historical story of capital accumulation and bounded territory would have to be extended to take account of the contemporary reterritorialisation in economic blocs like NAFTA and the European Union. That is beyond the scope of this paper, but these issues of territoriality and the control of territory - whether 'direct internal', 'ceded', or 'indirect external' - and (the partial alternative?) controlling movement and trade between territories, should prove fruitful in theorizing borders.

But, in going beyond abstract, aspatial 'modes of production', it is already clear that territorial states and related territorial entities have been and continue to be part and parcel of concrete capitalist development, contrary to the conception of a duality of separate political and economic systems. The bordered system of sovereign states has been a constitutive element in the 'politics/economics' relationship, rather than some 'independent' or merely contingent phenomenon which is simply affected by it. Once both were instituted, 'politics/economics' has related to state borders in a wide variety of ways, but despite significant reverse movements (as with the general raising of state borders as barriers in the inter-war period), the main direction of change has been towards lessening the effects of territoriality and furthering cross-border, transnational or global developments. Civil society has at least partly escaped the cag-

ing of territoriality. Constituting capitalist relations of surplus extraction as 'non-political' in a separate 'private' sphere of 'economics' encouraged their increasing extension beyond the borders of a given state, and allowed the exploitation of productive labour under the supportive 'political' sphere of other, foreign states. Political control continued to extend across borders but now it did so mainly in a 'non-political economic' sphere - 'this extension of command assum[ing] a different form as a result of the disaggregation of political functions between public and private spheres...' (Rosenberg, 1994, 172). Directly 'political' control in the conventional sense of political or military intervention could be used simply as a threat or an action of last resort. In association with this, agencies of transnational economic governance such as the World Bank, the IMF and the WTO - largely directed by the USA as the world's hegemonic state power and an external expression of political power in the 'economic' sphere - have become more important.

Thus the world is simultaneously dominated by a capitalist market and a system of states. The spatial extension of state power across borders, wielded above all by the USA as now the only 'super-power', is still fundamental to the system. But the extension of power no longer takes the form of political empire, but rather associations of independent states under US leadership (as seen in the Kosovo intervention and the Gulf War), combined with its politically-aided leadership of the 'empire of civil society'. For example, Amin argues that 'It is thanks to military superiority that the US has been able to impose the dollar standard despite the decline in its commercial efficacy' (Amin, 1996, 248). But the world market and the multiplicity of states constitute a single global system - a 'contradictory' economic and political 'unity' - rather than two separate systems. Their historical development has common origins in the movement from formally integrated empires to the political freedom of sovereign nations as the bearers of 'free' labour. The 'politics/economics' separation helps explain why global markets coexist with a politically fragmented world of territorial states, and why, despite increased globalisation, a multiplicity of liberal democratic states may still provide the 'best shell' for capitalist development. On this reading, state borders are here to stay.

IV. THE FUTURE OF TERRITORIAL BORDERS ?

However, while the conflictual capital-labour relationship makes state control in the 'public political' sphere essential, there is nothing in this particular logic to necessitate a multiplicity of states: a single world state seems theoretically possible. Given the contradictory nature of territorial borders, a single-state 'borderless world' might indeed seem functionally desirable for

capital, as neo-liberal ideology implies. But to see a 'borderless world' as a practical possibility, or at all likely on this basis, is to mistake an abstract, aspatial mode of production for concrete reality. It is to see capitalism as an undifferentiated global system disembodied from time and space. Moreover, while a functionalist reading seems plausible - after all, border contradictions cause problems for capital and a key objective of macro-regions like the EU is to minimise internal borders - these very contradictions make a 'borderless world' less likely. As we have seen, borders are key mechanisms of state control, not least physical controls over labour migration and their nationalistic ideological spin-offs (Heyman, 1999), and here the contradictions are actually on the increase.

A multiplicity of states, as Lacher emphasises, cannot be 'read off' as inherent in the logic of capital (Lacher, 2000). It is, firstly, a legacy of pre-capitalist origins in absolutist and other types of states. But this does not mean that our 'bordered world' is simply a pre-capitalist relic, or that a 'borderless world' is a serious option now that capitalism dominates the whole globe. It might be argued that capitalism became 'locked into' a pre-capitalist legacy - 'making history but not in circumstances of its own choosing' - but in fact it destroyed many other pre-capitalist features, so why not this one? As already mentioned, geographically divided sovereignties were a condition for the emergence of capitalism out of feudalism; and most of today's borders were established and subsequently maintained in the era of capitalism. The present multiplicity of states in fact comes largely from a complex series of state forming and state fragmenting processes over the two centuries since the French Revolution, with national states now the dominant form across the globe.

This suggests that there are basic structural features of capitalism which at the very least encourage, if not necessitate, the reproduction of territorial borders, rather than their removal or reduction to insignificance. These features include not only conflictual capital-labour relationships which require state management, but also the inherently 'uneven and combined', and above all competitive, nature of capitalist development over space and time. This (by definition) cannot be comprehended if the analysis remains confined to the abstract level an aspatial mode of production, or is carried out on a state by state basis. Capitalism involves competition between many capitals with material time-space locations in different states. Political territoriality and bounded economic spaces, rather than being mere contingent outcomes of aspatial social forces, constitute causal, formative dimensions of the system, as can be seen in recent political-economic developments.

Competition between capitalist interests, notwithstanding the global fluidity of speculative finance, is ultimately rooted in territoriality. However, with acceler-

ated globalisation since the early 1970s, there has been a shift from a system made up of state-dominated 'national' capitalisms to one where development is significantly more market-oriented and 'transnational'. Such historical switches can be seen in terms of two generally contradictory tendencies - one towards 'state capitalism', the other towards 'transnational capitalism' - but both inherent to the capitalist system. On the one hand, competing capitalist enterprises are typically rooted in particular locations within particular states and, largely in the context of *external* competition, they seek and get help from their own state, through, for example, partnerships between the private and public sectors, covert protectionism, or state nationalisations of private capital. On the other hand, capitalist enterprises are also spatially expansionist in their competitive search for inputs and markets and this extends across state boundaries.

The state capitalist tendency, in the ascendancy for most of the twentieth century up to the early 1970s, was associated with a relative strengthening of labour relative to capital, a closer integration of 'politics' and 'economics', and a general raising or closing of state borders. The transnational tendency was stronger in the nineteenth century, and since the 1970s it has again become more powerful, a reassertion of the general historical tendency for 'economics' and 'politics' to become more separated and for borders to be lowered or become more open. State ownership was significantly reduced by privatization and transnationalism facilitated. State-owned enterprises do tend to operate 'non-politically' and in purely 'economic' terms just like privately-owned firms, and hence in principle do not necessarily infringe the dominant 'politics/economics' separation. Yet in practice, state ownership - whether implemented in the interests of private capital (e.g., providing necessary infrastructural or other support not provided privately), or the interests of labour (e.g., providing jobs not otherwise available) - does tie the nationalised enterprises more closely to the public sphere of 'politics' and to the state territory, and tends to politicize the supposedly 'non-political' sphere of 'economics'. Furthermore, the wider neo-liberal ideological opposition to state-owned enterprises has been predicated not only on their implications for 'domestic' politics and their territorially confined nature, but also on the fact that state ownership in other countries limits the opportunities for investment by private capital. Privatization increased these opportunities and often at 'knock-down' prices.

CONCLUSIONS

The current dominance of 'transnational capitalism' does not mean that the other, 'state capitalism', tendency with its border-closing propensities has disappeared, or that capitalist production which spreads into

***Chart of individual sections for the territory of the former Venetian Istra (Rajšp, Trpin, 1997).
Pregledna Karta sekcij za ozemlje nekdanje Beneške Istre (Rajšp, Trpin, 1997).***

'alien jurisdictions' does not depend on their help. It clearly does, and not only in the important sense that its 'private economic' transactions are supported by the 'public political' power of these other states, but also in the more directly 'economic' sense of state subsidies and incentives to attract foreign direct investment. Whether, for a variety of economic, cultural, historical and political reasons, such help is as substantial or reliable as help from their 'own' state is questionable, but even 'foot-loose' transnational capital is not detached from the bounded space of particular states. Moreover, help from their 'own' state can involve the territorial extension of

conventional state power beyond the state's border, though we have seen that this is now less prevalent than formerly with the generally increased separation of 'politics/economics'. Changes in the nature of this relationship intersect with changes in the relationship between the spatial expansion of capital and the territoriality of states.

The other major feature of contemporary capitalism which encourages the reproduction of territorial borders is the need to manage conflictual capital-labour relationships and regulate the increased cross-border flows or potential flows of labour which have accompanied in-

tensified globalisation. This points even more strongly to the continuing centrality of territorial state borders (and 'centrality' is the right word, at least in a symbolic sense). The national states continue to be the main arenas for the reproduction of labour and its ideological control by appeals to nationalism, including opposition to 'foreign' or 'immigrant' workers. And, closely related to this, state borders (or the external borders of the EU in the case of 'Fortress Europe') continue to constitute the main barriers and filters controlling labour flows, though non-territorial 'internal' surveillance and control has recently increased. This seriously impedes the 'free' movement and exchange of labour and is generally accepted by neo-liberals despite the fact that it contradicts their 'free trade', anti-state ideology.

It is indeed the main contradiction in the system of territorial states and contrasts sharply with the relative cross-border freedom of movement for people in the transnationalism of last century. Whereas abstract analysis of the capitalist mode of production might suggest that the global market is integrated in all three dimensions of capital, goods and labour, the concrete reality is 'a truncated integrated market reduced to the first two of those dimensions' (Amin, 1996, 220-221). Labour markets are characterised by very obviously incomplete- or non-globalisation, with cross-border flows restricted to certain categories of worker (generally at the top and bottom ends of the market), often operating under re-

strictive conditions, and quite different from the completed nature of markets within state territories. This is, moreover, a major source of polarisation between rich and poor in the world system and a generator of further uneven development which is in turn, as already mentioned, a generator of borders. In this contradictory world, borders create problems and borders are required to contain them.

A single-state 'borderless world' which had surrendered such powerful mechanisms of social control as bordered states and nations, and the territorial ideologies of nationalism, could hardly cope with the tensions of capitalism. State borders, rather than 'withering away', are becoming more complex and differentiated.³ Paradoxically with intensified globalisation, they are becoming more problematical and if anything more rather than less contradictory.

In this context, the 'political economy' approach provides a good starting point for developing a more theoretically-grounded understanding of borders. We discussed how it links both with a *political* periodization of territoriality and the states system, and with the *economic* distortions of 'border arbitrage'. Although not developed, we also saw that the 'political economy' approach is potentially linkable to a *cultural* identity approach via nationalism and democracy. An adequate theory of borders would need to combine these political, economic and cultural elements.⁴

3 Examples of increased differentiation include not only contrasts between the EU's internal and external borders, but differences between internal borders with respect to membership/non-membership of a common currency, and between external borders with respect to states which are/are not candidates for membership of an enlarging EU. Removing internal border controls under the Schengen Agreement co-exists with a 'Fortress Europe' approach to external borders.

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O TEORIJI MEJA: DRŽAVE, POLITIČNA EKONOMIJA IN DEMOKRACIJA

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POVZETEK

V sodobni globalizaciji zaznavamo splošno zmanjševanje pomena državnih meja, ko "ovire" pravzaprav postajajo "mostovi", vendar pa je treba reči, da je ta proces izredno selektiven. Meje namreč postajajo bolj diferencirane in – paradoksnost – prej bolj pomembne kot ne. Vendar jih je treba nujno posploševati, če hočemo razumeti njihovo zapletenost in svojskost, ne pa da se izgublamo v podrobnostih. Teorija, o kateri govorimo, je potrebna zato, da se ne bi znašli v položaju, ki mu pravimo "zaradi dreves ne vidi gozda". Teoretiziranje terja, bolj kot preprosto iskanje "skupnega imenovalca" v nešteti empiričnih vzorčnih študijah, tudi element sklepanja na osnovi spreminjajoče se narave držav in družb v različnih zgodovinskih obdobjih. Teoretiziranje bi se lahko osredotočalo predvsem na politično periodizacijo, kulturno identiteto, gospodarsko arbitražo ali pa na protislovno razmerje med delno ločenimi področji politike in gospodarstva. Glavni namen tega prispevka je prikazati politično ekonomski pristop k stvari, saj obravnava tudi mejno arbitražo in periodizacijo meja, medtem ko poudarek na demokraciji zagotavlja potencialno povezavo z vprašanji, povezanimi s kulturno, predvsem pa nacionalno identiteto.

To delno ločevanje med politiko in ekonomijo ima neposreden vpliv na državne meje, na njihovo selektivno "filtriranje" in diferencialne posledice. Politika in ekonomija namreč sestavljata "protislovno enoto", značilno za kapitalizem, ki jo lahko preobrazimo kot izključitev politične demokracije iz domene ekonomske proizvodnje. To daje poseben pomen ozemeljskim mejam, saj je demokracija nagnjena k temu, da se zaustavi tako "pri vratih" delovnih mest kot pri državnih mejah. In to delno ločevanje je omogočilo tako politično suverenost kot ekonomsko globalizacijo, kar se kaže v zgodovinskem razvoju protislovnega svetovnega sistema, kjer globoko vkoreninjena mnogoterost (z mejami) omejenih držav sobiva z nagnjenji k eni sami globalni ekonomiji.

Ključne besede: politika in ekonomija, kapitalizem, teritorialnost, suverenost, arbitraža, prehajanje meja, svetovni sistem

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