Chapter 1

Globalizing Interests—An Introduction

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It is widely believed that globalization as a process is well under way and destined to fundamentally affect various aspects of political life. Some people go so far as to argue that globalization will be nothing less than the defining characteristic of the century to come: the global age. Be it the nation-state or the international system, democracy or the welfare state, modern political institutions are assumed to be altered, undermined, challenged, or otherwise affected by the process. Yet, despite all these claims, most institutions are still alive and well and the dire as well as the bright social consequences of the process still await comprehensive empirical substantiation. Is this because the effects of globalization have not yet fully unravelled? Or is it because—as we want to argue—the bulk of the globalization literature, being both bound to methodological nationalism and inappropriately narrow in its appreciation of the political aspects of the phenomenon, has produced predictions which are much too simple?

This book aims to overcome these limitations by focussing on the politics of denationalization, that is, the actual political processes set in motion by the phenomenon of globalization. Specifically, it provides an analysis of, and seeks to explain, the policy preferences and lobbying activities of nationally constituted pressure groups faced with governance challenges in the globalization hotspots of climate change, migration, and the Internet. We distinguish between leftist and rightist groups as well as between groups that are considered as protagonists of old and new politics, respectively. This research thus asks whether, to what extent, and whose interests are globalized and thereby creates political processes that cannot be captured in terms of politics as we know it from the national constellation. Our conclusion is that the politics of denationalization and the political cleavages that accompany it differ significantly from politics as usual as it may be termed.

This general introduction consists of six sections. In the first section, the limitations of current globalization research are discussed in the context of a critique of scholarship dealing with the race to the bottom hypothesis.

Against that background, section two elaborates on our modified understanding of what the globalization process actually entails. Section three introduces the focus of our study, while section four examines the conceptual framework of our approach and the case studies. Together, these sections establish an analytical framework we believe addresses the weaknesses of dominant globalization research. Finally, in section five, the hypotheses and findings of the study are presented, and in section six, their implications, for the development of a postnational polity, are discussed.

On Globalization: Broad Definitions, Methodological Nationalism and Structural Shortcuts

The literature on globalization attributes to the process far-reaching consequences of epochal proportions. Raising issues such as the future of the democratic welfare state, transnational civil society, political fragmentation, and multilevel governance, the process is said to be responsible not only for a decrease in national autonomy and the likelihood of interstate war, but also for the disabling of democracy and the decline of legitimacy of national political systems. It is also regarded as having altered the nature of sovereignty and the fundamental structures of politics.[1] In many of these illuminating studies however, the way in which globalization is conceptualized is still somewhat shaky; many of the attempts to define the process invoke extremely broad categories. Accordingly, it has been said to represent "the stretching and deepening of social relations and institutions across space and time" (see e.g., Giddens 1990; Held and McGrew 1993, 263; Held 1995, 20; Elkins 1995; Rosenau 1997). On this understanding, globalization denotes all (individual as well as the sum total of) globally oriented practices and patterns of thought as well as the epochal transformation which is constituted by them (Albrow 1996, 89). Such a broad definition, however, hinders an empirical assessment of globalization's consequences; if globalization is everything, there is nothing left to explain. And if the conceptualization of globalization allows no distinction between the process itself and its assumed consequences, then the proper empirical probing of hypotheses becomes impossible. Perhaps it is no surprise, therefore, that the amount of systematic data on the driving forces behind the changes is still remarkably scarce; despite the tremendous change in world politics that is ascribed to globalization, systematic measurement of globalization is still mostly uncharted territory. This deficiency provides the first point of reference for the approach adopted in this volume: the development of a clear and inter-subjective measurable conceptualisation of the globalization process.

Two further weaknesses in much of the globalization literature can be pointed out in an examination of a field of research that does not suffer from

this lack of an empirically based measure of the phenomenon under study. This field of research, namely, that on the effects of globalization on social and welfare state policies, is among the most advanced in the globalization literature, its methods representing the typical approach to how external influences on national political systems are studied. Measuring globalization by the degree to which national economies are integrated into the world market, scholars studying the process from this perspective foresee "the end of the social democratic era" (Scharpf 1987), the "retreat of the state" (Strange 1996), the "misery of politics" (Narr and Schubert 1994), the "trap" of globalization (Martin and Schumann 1997), a "race to the bottom" or at least a "competition of the obsessed" (Krugman 1994a), a "competition state" (Hirsch 1995), a "Schumpeterian workfare state" (Jessop 1994) and a "residual state" (Cerny 1995).

Common to these studies is the notion that increased capital mobility leads to an increase in competition between states to attract capital, with the result that states, in order to remain economically viable, must endorse economic and social deregulation programs and cut back on social welfare. Contrary to these expectations, however, the level of state expenditure has not decreased with the rise of globalization, and clear-cut convergence processes are yet to be observed.[2] In addition, a redistribution of state expenditure from welfare to the security and R & D sectors as predicted by the notion of a competition state also has not yet occurred on a broad scale (Zürn 1998, 153–157).

One may argue that social policies are currently in transition and that the relevant indicators will soon vindicate the predictions of theory. This position is supported by the fact that the data used in most studies comes from statistics on state and social expenditure, which for the most part derive from the early 1990s. This is still very early, especially since very recent data shows the first signs of change (Stephens, Huber, and Ray 1999; Kittel, Obinger and Wagschal 2000: Pontusson 2001). In addition, there is already evidence that while the level of unemployment expenditure in fact grew in almost all G7 countries, the amount of money received by individual beneficiaries dropped, suggesting a relative reduction in state expenditure in these countries (Neyer and Seeleib-Kaiser 1995). Moreover, some of the findings could be a result of institutional inertia. Sweden, for example, clearly made extensive cuts to its social benefit system, but expenditure initially grew faster compared to other states because the sudden rise in unemployment activated the welfare state. Thus, whereas the figures for Sweden indicate neither convergence nor deregulation, a significant movement in that direction can be discerned. Another possible reason for why the early data does not really reflect the influence of globalization pressures may relate to common low denominators: since social spending is measured as a percentage of GNP per capita, slow growth in many OECD countries in the early 1990s may have

kept the social quota artificially high (Pontusson 2001). Finally, studies focussing on specific policy areas can easily demonstrate a marked convergent trend towards deregulation: the postal and telecommunication services are a strong case in point (Grande and Schneider 1991; Vogel 1996).

Yet—in our view—the shortcomings of this race to the bottom hypothesis go much deeper; the predictions reflect what we believe to be a somewhat apolitical notion of politics in the global age, characterized by structuralist thinking and methodological nationalism.

First, these studies seem to rest on the quite problematic assumption that structural pressures translate directly into political outcomes. To the extent this assumption is relaxed, an absence in convergence processes cannot be equated with an absence of constraints. In other words, pressures such as globalization have their first impact on the political process, and it is the complexity of this process (rather than the pressure itself) that determines which outcomes are borne out or not. Thus, case studies examining the political processes currently occurring in many welfare states reveal that economic pressures imposed by global constraints are strongly felt, often translating into uneasy compromises (Seeleib-Kaiser 2001), and often resulting in a reconfiguration of politics and political cleavages. For instance, the global call for greater economic openness has seen an increase in the demand for domestic policies, which offset the less desirable effects of world market integration. In this sense, social policies and state intervention can be seen not only as cost-intensive burdens on efficient production, but also as a form of risk insurance in the face of increased economic openness (see Garrett 1998a; Rieger and Leibfried 2003; Rodrik 1997). Moreover, new growth theory suggests that many instances of state intervention are still economically efficient and thus effective even and especially in times of global competition (Krugman 1994b; Barro 1996). Hence, higher levels of economic interdependence and globalization may well lead to more rather than less state intervention—depending on the political choices that are made.

Accordingly, it may be said that globalization leads to new political challenges, which still, however, leave much leverage for a variety of different outcomes. On this analysis, then, what globalization does change is the power and influence of interest groups, the societal coalitions and cleavages associated with certain policies as well as the policy instruments used to meet the various challenges that arise. In this sense, globalization does not lead to the dissolution but rather to a reconfiguration of national politics (see also Grande and Risse 2000).

Second, globalization processes call into question the premises of methodological nationalism. Because political actors have a choice when faced with challenge, they may not only develop new policy instruments but also change the level on which policies are formulated. Faced with economic

globalization, states can respond in two principal ways: downwards, by restructuring state-society relations, or upwards, by establishing interstate relationships. Consideration of this second option, however, is analytically prejudiced wherever the focus is exclusively on the national sphere. Paradoxically, the most important strand of the globalization literature—the race to the bottom hypothesis, which builds on the state-theoretical notion of the competitive state—contains this very bias.

Methodological nationalism sees the nation-state as the basic unit of all politics—within nations and between nations—and looks at competition between nation-states in an interdependent world as a fundamental driving force.[3] This double premise precludes the simple option of a competition between the political and the economic sphere and thus a pooling of state sovereignty in order to strengthen governments vis-à-vis economic forces in the transnational sphere (see Beck 2003). It also rules out the option of collaboration between governments via international institutions in order to shield certain policies from domestic resistance (see Wolf 2000). Similarly, organisations other than multinationals can also develop transnational alliances, but again, the presumptions of methodological nationalism prevent analysis at this level. To be sure, nation-states are still important actors in world politics and national societies are still important units for analysing social and political developments. Hence, differences between nations will be an important explanatory variable for differences in social and political behaviour. An appropriate conceptualization of politics in the age of globalization may however not exclude by definition other loci of collective action and coalition-building. It cannot assume the nation-state is the basic unit of all politics. In order to maintain or even step up a given level of intervention, states as well as political groups may or may not collaborate at the international level and retain the possibility of establishing common policy-making institutions; thus, they may or may not evidence behaviour in opposition to the analytical premises of methodological nationalism. Keeping this question analytically open is equal to avoiding methodological nationalism.

While our study does not contribute directly to the debate about the effects of globalization on the welfare state, our aim in this work is to avoid the three shortcomings, identified above as typical in globalization studies, namely, an unspecified causal agent, structural shortcuts, and methodological nationalism. Our intention is to move beyond the simplistic notion of the external force, which alters national policies, in order to understand the more complex political effects occurring in the wake of globalization challenges. To this end, we attempt to define precisely what we mean by societal denationalisation as well as fine-tune the means by which the consequences of denationalization are studied. For this purpose, it is necessary to be conceptually open to processes that transcend methodological nationalism and

systematically take account of transnational and intergovernmental coalition-building and policy formulation on a level beyond the nation state. More particularly, our aim is to contribute to a better understanding of the way in which globalization unfolds within and across national political systems. In our view, globalization poses challenges for politics as usual in some (but not all) issue areas. We see globalization as a structural restraint, which is consequential politically, only to the extent that, and according to the manner in which political groups respond. We believe an increased focus on agency is a necessary prerequisite for a more accurate understanding of globalization-induced policy change. Globalization does not directly affect political outcomes; policy outcomes are mediated through political institutions, political actors, and political struggles. In a nutshell, we maintain that a much better understanding of the effects of the phenomenon can be gained by looking at the politics of globalization instead of the policy changes caused by globalization. What is required is an examination of processes, not outcomes.

This book offers such a focus by comparing the policy preferences and lobbying activities of nationally constituted pressure groups in various industrialized countries in response to a variety of globalization challenges. Given the state of research in this area, the purpose of this study is, to a large extent, the generation of (not the testing of preexisting) hypotheses.

First, the patterns of responses made by interest groups to globalization challenges are compared with what we know about regular national politics. This comparison of the politics of denationalization with (an ideal type of) politics in the national sphere leads to a number of general inferences about the political effects of globalization. Second, we aim to account for the variance in the responses of the groups under review. On the basis of some conceptual and theoretical reflections, the study contains a "structured and focused comparison" (cf. George 1979) of six cases, which overall, offer a sufficient number of observation points to carry out a quantitative analysis. This allows a blend of qualitative and quantitative methods to be applied. The overarching interest behind this exercise is, however, theoretical: our aim is to contribute to a better theoretical account of politics in the context of the postnational constellation.[4]

From Interdependence to Globalization and Denationalization

Interest in both interdependence and globalization can be seen as an expression of a "poorly understood but widespread feeling that the very nature of world politics is changing." (Keohane and Nye 2000, 104). Interdependence describes a situation of mutual dependency; it rests on the notion that national political actors (most often governments) are structurally affected by the behaviour of others (most often societies in other countries) while at the

same time remain essentially autonomous. In this sense, each state "decides for itself how it will cope with its internal and external problems, including whether or not to seek assistance from others."[5] Such a notion of interdependence still implies the opportunity to choose between unilateral and multilateral strategies, even if the effectiveness of a unilateral strategy (the degree to which the purposes of the strategy are achieved) is likely to be less than a multilateral endeavour.

Globalization goes further than interdependence. Richard Cooper (1986, 1) argues that "the internationalised economy of the 1960s was characterised by a sensitivity of economic transactions between two or more nations to economic developments within those nations." By contrast, the process of economic globalization describes a movement towards one integrated world market in which "buyers and sellers are in such free intercourse with one another that the prices of the same goods tend to equality easily and quickly" (Cooper 1986, 71). This distinction between an internationalized economy and the global integration of markets can be generalised to draw a distinction between interdependence and globalization. Globalization can thus be described as the process by which the world moves away from merely internationalized societies and towards an integrated global society. Accordingly, globalization, by calling into question the parameters of national societies, can be seen as challenging the distinction between domestic and foreign relations. This view recognizes that distant events of all sorts have immediate consequences, not only for states but for individuals' daily lives, both in terms of their basic living conditions and how their local communities operate (Rosenau 1990: 78, Holm and Sørensen 1995, 4–5; Hirst and Thompson 1996, 7; Held et al. 1999, chap. 1).

We use in this volume yet another term: societal denationalization. As with the term globalization, societal denationalization points to a higher level of interconnectedness between formerly separated societies than the term "interdependence" At the same time, the term "societal denationalization" avoids some of the problematic meanings that are conveyed through the term "globalization" and, moreover, is defined in a more precise and less ambiguous way.

While we agree that we have, at least in some areas, moved to something that is more than just interdependence, the term "globalization" seems not to be really adequate. Even if it is true that transborder transactions are on the rise and in some fields transcend national borders completely, the term "globalization" goes too far and conveys a problematic meaning for two reasons. First, the transcendence of national border of societal transactions does not encompass the whole world. Over 80 per cent of world trade is carried out between countries inhabited by a little more than 25 per cent of the world's population. This narrow focus is even more evident if one looks at direct investment worldwide. Over 91 per cent of all direct foreign investment

between 1980 and 1991 was shared between the OECD countries and ten threshold countries (Hirst and Thompson 1996, 67).[6] Communication flows indicate a similar pattern. A world map highlighting the distribution of Internet connections is particularly informative. It makes clear that even within the OECD world there are clear gravitational centres the borders of which, however, do not coincide with national borders. Even in the United States there are extensive networks only along the two coastlines, including also parts of Canada (see Beisheim et al. 1999, 65). Second, territory remains important. The "place-boundedness" of social transactions has not yet been completely transformed. Sassen (1998) is absolutely right to ask why, after all, if knowledge workers can telecommute so easily, so many of the world's most important desktops are to be found in a few square miles in New York, Tokyo, London and a few other places? Space and the borders of spaces will remain of the utmost significance for some time to come, at least for reasons of path dependence. It is therefore more appropriate to use a term that points to a process of transformation from a world of national territories than one that points to an endpoint without any meaning for territory.

Rather than the word "globalization", we therefore use the term "societal denationalization." This term is used in reference to the classic works of Karl W. Deutsch (1969) and Eric Hobsbawm (1992) on nationalism, according to which a nation is a political community sustained by intensified interactions; this community stands in a mutually constitutive relationship with the nation-state and is thus an expression of the national constellation. Societal denationalization, therefore, represents a weakening of the linkage between territorial states and their corresponding national societies. Societal denationalization can be defined as the extension of social spaces (i.e., areas constituted by dense transactions) beyond national borders, noting that this extension need not necessarily be global in scope. The scope of most of these cross-border transactions is indeed not global, yet they still cause a problem for national governance for the simple reason that the social space to be governed is no longer national. To the extent that these problems are resolved by an extension of the validity of political regulation either in the form of political integration beyond the nation state or through international institutions, we speak of political denationalisation.[7]

With this distinction between the process itself and its assumed consequences, the proper empirical probing of hypotheses becomes possible. The word "societal" refers to a measurable process of social change which, in turn, may have certain political ramifications. Societal denationalization, however, is neither identical with, nor does it necessarily lead to, an extension of political space and governance beyond the nation state (i.e., political denationalization). Nor does it necessitate the formation of a world society[8] or transnational political communities.[9] It is conceived as a socio-structural challenge that provokes responses from those engaged in the political sphere. The

range of conceivable responses is wide and includes an orientation to the status quo, a reconfiguration of politics within nation states as well as transnational strategies. Which path is chosen is a question of politics. In this way, our conceptualization brings politics back into the globalization debate.[10]

Critics have questioned the significance and uniqueness of the phenomenon of globalization and societal denationalization. It is repeatedly pointed out, not least by economists, that the degree of societal denationalization existent in some transboundary processes today only marginally differs from the time prior to 1914. In his comprehensive literary review of international financial systems, Zevin (1992; 51–52) concludes that "every available descriptor of financial markets in the late nineteenth and early twentieth centuries suggests that they were more fully integrated than they were before or have been since." Similarly, Stephen Krasner (1994, 14) comments that discussion and literature on globalization and the flurried claims of "new, new, change, change" are as substantial as the declarations made in American election campaigns. These objections question whether societal denationalization is really taking place and whether it is different from the age-old phenomenon of international interdependence.

These objections point to empirical issues and to questions of measurement. Indeed, in our understanding international interdependence and societal denationalization are to be measured by the same indicators, the different terms therefore refer to different values of these indicators. We use the interconnectedness of societies as an indicator. The interconnectedness of societies is neither a direct measure of interdependence nor of societal denationalization, even though it has often been used as such. That having been said, interconnectedness of societies can be measured by the amount of transboundary transactions relative to transactions that take place within a national territory.[11] While an increase in the ratio of transboundary to national transactions is often assumed to indicate a rise in interdependence, the notion of societal denationalization is more properly indicated by a rise in interconnectedness with a threshold value at which societal borders no longer mark the space of a critical reduction in their frequency (see Deutsch 1969, 99).[12]

The degree of societal denationalization can thus be operationalized as the volume of cross-border transactions relative to transactions taking place within national borders. Social transactions take place whenever goods, services or capital (constituting the economic sphere), threats (force), pollutants (environment), signs (communication) or persons (mobility) are exchanged or commonly produced.[13] This notion of societal denationalization is not restricted to the economic[14] or cultural[15] sphere. A society is denationalized in a given field when transactions relevant to that field are no denser within the society's national borders than across those borders. The term "societal denationalization" thus has the advantage of defining a starting point (national society) but leaving the endpoint indeterminate. Moreover, if cases

can be singled out that show a clear trend towards globalism, there is no problem in interpreting such cases as special instances of a more general trend towards societal denationalization. Seen in this way, the transboundary pollution of the Rhine is just as much a phenomenon of societal denationalization as global warming, although the latter is genuinely global.

In an empirical investigation that we carried out against the background of this conceptualization it became clear that denationalization is not uniform, but rather a somewhat jagged process that differs notably between issue areas, countries and over time.[16] The process of denationalization, defined in terms of a growing significance of cross-border transactions, has been taking place, albeit in a mild form, since the 1950s. While it is correct that levels of economic interdependence were lower in the 1950s and 1960s than in the decades prior to 1929, interdependence grew again in the Western World in the decades after World War II (Katzenstein 1975; Rosecrance and Stein 1973; Rosecrance et al. 1977). From the 1970s onwards, the growth of cross-border exchanges accelerated with respect to goods and capital, information, travel, migration, and regional environmental risks in all of the OECD world. Whereas with respect to some indicators— such as trade quotas and the proportion of international telephone calls— growth rates levelled out slightly in the early 1980s, the latter part of the 1980s brought about a sharp increase in transborder transactions in many areas, such as trade, foreign investment and other capital flows, communications, and culture. This period can be seen as marked by a surge in the interconnectedness of societies that made the term globalization fashionable. In most areas, the level of interconnectedness from that time on clearly surpassed the levels of 1914. Veritable denationalization thrusts, however, occurred in a number of very specific issue areas only in the 1990s. They most often took the form of common production of goods and bads. The most notable developments took place in relation to global financial markets, global environmental dangers, the Internet, migration, and organized crime. In these areas, the notion of interdependence becomes meaningless, since the line between the domestic and the international is erased. It is not the exchange of goods and bads across borders, it is the common production in a common space that is at issue in those cases.[17]

In sum, we believe that our concept of denationalization avoids the shortcomings of the globalization literature by providing a clear-cut variable that can be used for proper empirical research and that grasps the central elements of the process without conveying any problematic meaning. It is sufficiently precise to enable the use of intersubjective measures geared towards assessing the magnitude and scope of the phenomenon. And it does not convey false messages of a borderless world without any role for territory. By employing the distinction between societal and political denationalization, moreover, the concept allows to avoid both structural shortcuts and method-

ological nationalism. Societal denationalization points to the weakening of the links between "nation states and [their] corresponding national societies" (Beck 1997, 44), as well as to the "deborderisation of national societies and the nation state" (Kaufmann 1997, 119), thus calling methodological nationalism into question. Basically, societal denationalization is conceived here as a challenge which awaits a response by political agents. In this sense, it triggers political processes, but does not determine their outcomes.

AVOIDING METHODOLOGICAL NATIONALISM: SOCIETAL RESPONSES TO DENATIONALIZATION

The transition from interdependence to globalization research is not only the result of different levels of interconnectedness between societies, it also indicates a significant extension of the issues that are affected. While interdependence between territorially defined states mainly involves issues of interface management, or border issues, globalization and societal denationalization raises "behind the border issues."[18] If policies formerly made by national institutions are now made on the international level, it is reasonable to expect substantial changes in the pattern of politics. In other words, globalization research expands the themes of interdependence research, in particular by focussing on changes within and across nation states and on the reconfiguration of societies. Globalization research raises thus the issue of governance beyond the nation state (Haas 1964; Zürn 1998).[19]

This reconfiguration of the political from national into what may be termed multilevel network governance cannot be studied within a framework that is subject to methodological nationalism. An analysis of the politics of denationalization must not conceptually preclude either governance by government as we know it from the modern nation-state, nor multilevel network governance. What is required is an approach that brings into play the concepts of both comparative politics and international relations.

We see our focus on interest group responses to societal denationalization as a contribution that overcomes the shackles of nationalism and thus as a contribution to the study of politics in the age of globalization. Whatever politics in this new age will look like, it will still be a matter of translating divergent interests into effective policy choices and assuring compliance with the law (see Kohler-Koch 1999, 14). Our focus on the organisation of societal interests is based on the assumption that states are not completely autonomous from societies. If there is a fundamental change in both political processes and the concept of statehood, then it should be reflected in the responses of those active within society. By focusing exclusively on "state strategies"[20] one runs the risk of overlooking one of the most important aspects of denationalized governance challenges, namely, a growing disregard of the state as the locus of problem

solving and an extension of the political in both spatial and organisational respects. The dependent variable of our study takes these considerations seriously. Among other things we want to find out the conditions under which domestic actors are willing to substitute international for domestic institutions as well as which domestic actors are better at making use of the new politics (see also Martin and Simmons 1998, 747).[21] We therefore compare the policy preferences and lobbying activities of national pressure groups when faced with governance challenges caused by denationalization. In our view, there are at least three reasons why such a focus promises to be useful.

First, the responses of political groups seem to be a much more appropriate means of understanding the consequences of globalization than the convergence or nonconvergence of national policies. If denationalization is taken as a process of melting units, then there is little reason to assume that so-called competitive states will necessarily engage in a race to the bottom as if they were unitary and independent units in a perfect market. Instead it is necessary to look at the responses of political groups first, rather than focussing directly on political outcomes. We need to study the politics of denationalization before we can explain the policies of denationalization.[22]

Second, examining transnational civil society also requires one to look at those politically sensitive groups that are already formed at the national level. Studies that already transcend methodological nationalism by analysing new transnational entities such as multinational corporations (MNCs) and nongovernmental organizations (NGOs) are one-sided in another sense. As fascinating as the rise of these new transnational organisations may be,[23] these studies seem to presume that MNCs and NGOs are the only way of organising social interests beyond the nation state. They do not take into account the internationalization of those pressure and interest groups that have been nationally constituted and entrenched within the modern state. To a large extent, interest groups dominate national decision-making, providing an indispensable source of policy alternatives, and shaping outcomes in their reactions to the proposals of other groups. Perhaps it is not surprising, therefore, that the twentieth century has been called the century of interest groups. Postnational politics cannot be adequately comprehended by the formula intergovernmental politics plus NGOs; rather, it is to be seen as an interplay between governments, other internationally active organisations such as NGO's and MNC's and internationalized national groups.

Third, the democratic legitimation of international policy choices cannot occur from within a framework of intergovernmental negotiation only. Societal interests need to be channelled into decision-making bodies via means other than territorial representation through national governments. The democratization of international institutions thus also requires a functional organisation of interests beyond the nation state.

For these reasons, pressure group responses, as a dependent variable, promise to offer an important contribution to the study of the political consequences of societal denationalization. It is an approach which enables a deeper understanding of both national and transnational strategies in the face of denationalization challenges.

In order to ensure a comprehensive analysis of this dependent variable, the term "political response" is conceptualized here as being made up of three different dimensions. These dimensions may be labelled spatiality, intervention, and activity. The first two look at the regulatory demands of the relevant groups; the last one takes into account how these demands are articulated. Although each of these dimensions is explained in more detail in chapter 2 of this volume, it is worthwhile to provide a brief outline of them here:

- The first dimension, spatiality, looks at the spatial scope of each group's recommended policy solution to the particular problem confronting it. Spatiality in this context refers to such issues as the geographic coverage of the groups' preferred regulatory approach as well as the strength and powers of any envisioned international institutions vis-à-vis national sovereignty.
- Intervention looks at the question of regulatory intensity (i.e., the degree to which the demands of each group permit of intervention in the free flow of transactions) as well as the mode of governance (what steering mechanisms the groups think should be brought to bear).
- Activity as the third dimension looks at the way in which the groups tried to further their political demands: when did they respond to the challenge? How intensive was their reaction? Did they act at the national level only, or also at the international level?

It is necessary to take all of these three dimensions into account in order to overcome methodological nationalism. Looking at the content of group demands (intervention) is necessary in order to understand what kind of policy instruments and tools are perceived as being available to deal with the relevant denationalization challenge; looking at spatiality and activity is required to allow for the possibility of political denationalization.

AVOIDING STRUCTURAL SHORTCUTS: CONCEPTUAL FRAMEWORK AND CASES

Having moved beyond methodological nationalism, we need a conceptual framework that allows the avoidance of structural shortcuts. For this purpose,

we look at the most prominent denationalization challenges and the responses of those nonstate actors that are most representative for the national constellation. In this way, we conceive of societal denationalization as a structural challenge to which political actors, old and new, respond. The determinants of these political responses then explain the outcome.

The study of the political consequences of globalization is part of what one may call research into the "future consequences of ongoing transformations" (FCoT), which needs to be distinguished from standard research (StR) (see Walter and Zürn 2003). The label FCoT already describes two of its critical features:[24] First, the dependent variable lies in the future and thus cannot be directly observed empirically. Second, the causal agent under consideration (i.e., the independent variable) lies in the immediate past (carrying on into the present) and is assumed to have transformative potential. This second feature creates two problems. First the independent variable is relatively new and it is therefore rather likely that our theoretical understanding of it is limited. The result of this is that difficulties may be encountered in its correct observation or measurement. Second the independent variable is assumed to have significant and far-reaching consequences; in this case, the potential to transform the international system as a whole. The difficulties of FCoT are thus even more pronounced than those of simple prediction, since established theory may be useless in the new context. It is helpful to recall Gilpin's (1981) differentiation between change within a system and system changing transformations; whereas the former leaves the system intact, the latter fundamentally alters the rules of the game. FCoT-based research deals with the latter type of change, challenging the applicability of established theories and our ability to correctly interpret events as they occur. Most research on the consequences of globalization has to take into account of these features: globalization is an ongoing process, with the potential to fundamentally affect political systems, and where the repercussions of major shifts in those systems will only become apparent in the future.

One strategy for coping with the methodological difficulties of FCoT in the present context is to compare a stylized version of traditional politics (viz. politics in the national constellation) with the politics triggered by extreme denationalization challenges (viz the politics of denationalization), and then seeing to what extent the latter differs from the former. This is the strategy adopted here. We deal with the first difficulty of FCoT, that is, the fact that changes in the dependent variable lie in the future, by focusing on current political processes rather than future outcomes. Furthermore, we investigate political groups that are traditionally active within the national political sphere, thus introducing a clear benchmark against which the influence of the global nature of the problem can be contrasted. These design features make our dependent variable much more sensitive to change. The second difficulty of FCoT, (that is, the first problem relating to the second feature of

FCot as explained above) that observation and measurement is of a causal agent that is just unfolding, is addressed by choosing extreme examples of denationalization as case studies.[25] The third difficulty of FCoT (that is, the second problem relating to the second feature of FCoT as explained above), concerning the absence of sufficiently tested theories, is met by the hypothesis-generating thrust of our study that draws from both Comparative Politics and international relations, and uses an abductionist logic. It is with these methodological considerations in mind that the selection of cases and response units has been carried out.

Governance Challenges as Cases

Climate warming, the Internet, and migration have been chosen as extreme examples of denationalization dominant in the 1990s. The selection of these three denationalization fields emphasises that societal denationalization is much more than an economic phenomenon. It covers a broad range of different transaction fields. The selection of these cases is an endeavour to counter the economic bias of most globalization literature. For this reason, we therefore focus on positive regulations beyond the nation-state, that is, regulations which correct market outcomes on a level beyond the nation-state. Negative, that is, market-making regulations, by contrast, have a deregulating effect on national policies. Whereas negative international regulations contain an agreement, which states refrain from certain activities, positive international regulations oblige states to actively undertake certain activities and intervene in line with a coordinated strategy.[26] All the six case studies carried out in these fields focus on regulative policies, with the Migration Cases and Resource Transfers in Climate Policy having, in addition, redistributive components.

Extreme fields of societal denationalization challenge the capacity of the nation-state to unilaterally achieve its procedural and material governance targets. This is because effective governance depends on the spatial congruence of political regulation and socially integrated areas of activity. Spatial congruence, as a precondition of effective governance, has been emphasised in a number of theories that rush to account for the interrelation between state-building and nation-building (see, above all, Breuilly 1994; Rokkan and Urwin 1983).

The extension of economic and cultural spaces beyond traditional political boundaries, therefore, leads to both a decline in political control and to a reconfiguration of political resources. Thus, in times of increasing transnational societal interconnectedness, national governments are no longer in a position to implement their policies smoothly (Reinicke 1998, 65). As a result, societal denationalization often leads to situations in which traditional national regulations are no longer effective. We talk of a governance

challenge if those prominent in the political sphere appreciate this ineffec-
tiveness of a policy and attribute it to societal denationalization. The char-
acter of a governance challenge can vary. It is possible to distinguish three
causal mechanisms through which spatial incongruence can lead to a gover-
nance challenge.[27]

1) As national borders no longer encompass sufficient territory to
   function as self-contained markets for large companies, all protec-
   tionist national legislation cuts against the realities of economic
   movement. Any national measure that is not consistent with
   international standards separates markets and creates a barrier for
   the efficient development, purchase and sale of goods and ser-
   vices. As the barriers between different markets dissolve, R & D
   costs rise and product cycles grow shorter. Larger markets and
   unhindered cooperation with other enterprises become essential if
   competitiveness is to be maintained. In other words, in a dena-
   tionalized world the "static efficiency costs of closure" increase
   (Frieden and Rogowski 1996, 35). If, due to tariffs, imports are
   more expensive in one country than in another because of the
   second country's more liberal trade policy, manufacturers in the
   first country, who need to import parts from foreign countries will
   be at a significant (comparative) disadvantage and will thus press
   for liberalization. This kind of pressure, where what is sought is
   nondiscrimination in global markets, is due to what may be called
   efficiency problems.

2) Governmental regulation has little impact if it covers only a part
   of the relevant social space. Thus, for example, national action
   by Australia alone would do little to prevent rising cancer rates
   due to the depletion of atmospheric ozone. Along the same
   lines, authorities in Germany, where restrictions on the distribu-
   tion of racist propaganda are more severe than in many other
   countries, cannot prohibit the setting up of an Internet site in
   the United States containing racist material, nor prevent some-
   one in Germany from accessing that site. One may label these
   kinds of challenge to the effectiveness of national policies exter-
   nality problems.

3) Policies that may work well at the national level may become too
   costly if those who are affected operate within a wider social
   space than that encompassed by the policies. For instance, and in
   particular, policies that increase the cost of production may turn
   out to be self-defeating, if the competitiveness of those it affects
   is compromised, thereby affecting the economy as a whole.
   Accordingly, manufacturers' associations throughout the indus-

trialized world complain at every opportunity that the social and environmental costs of production are too high. In their view, it is essential to cut wages and corporate taxes, restrict social welfare policies, and remove the blocks put in place by environmental policies. The backlash against this, from the other side of the political spectrum, is the widespread fear of a downward spiral in national social and environmental standards. This challenge derives from what we term competitiveness problems.

Each of the three denationalization fields chosen for this study—the Internet, climate, and migration—is responsible for governance challenges through a variety of these three causal mechanisms. For each denationalization field we have chosen to present two such challenges.

Responses of Nationally Constituted Interest Groups in the OECD World as Units of Analysis

For each of the resulting six cases we look at the responses of nationally constituted interest groups in different OECD countries. Our focus is on the richest and largest liberal democracies in the Western World. These "G5 countries" (United States, Canada, Great Britain, France, and Germany)[28] are those in which the national constellation has been most clearly developed. They can be characterized by a highly developed political arena and strong government, as well as a competent and independent executive. In short, these countries are recognised for their effective governance. We do acknowledge, however, that by focusing on these countries, our ability to generalize from the findings of the study is limited. We do not claim that our results apply directly to political responses to governance challenges in other countries like India or Tanzania.[29] On the other hand, we work on the premise that if societal denationalization affects the politics of the G5 countries, such denationalization challenges should be even more consequential for politics in smaller and less developed countries. For the purposes of this volume, nationally constituted interest groups, the subjects of the study, are defined as organizations, set up to influence public policy, that have some autonomy from the government and the major political parties.[30] Although group selection in general will be discussed in more detail in chapter 2, a few words on the subject are apposite here.

   The political systems of the G5 countries have a long history of institutionalized societal division, shaped by a series of historical conflicts over state building, religion, and class that took place between the Protestant Reformation and the industrial revolution. According to Seymour Martin Lipset and Stein Rokkan (1967), these conflicts created distinct and highly durable political identities, social institutions, and patterns of social

contestation. Of these three major conflict lines, class differences produced the most stable cleavage with little variance between countries. Thus, as Kitschelt et al. comments: the "chief cleavage in most Western societies was between workers and employers, and this was reflected in the arrangement of major parties along a left-right spectrum" (1999a, 2). The older divisions, reflecting attitudes towards state building and religion, are today somewhat less important, producing more institutional variation between countries (see Flora 2000, 59–71). In the last few decades, however, a new cleavage has arisen, brought about by several challenges particular to the postindustrial age. This cleavage is particularly relevant for these most developed countries that are the focus of our study and sets apart traditionalists from libertarians (Inglehart 1990; Kitschelt 1994). It has resulted in essential and indelible associations with particular issues and policies that show remarkable similarity across countries (Klingemann, Hofferbut, and Budge 1994, 24). This cleavage is becoming particularly important in the context of European integration (Marks and Wilson 2000, Marks, Ray and Wilson 2002) and is expected to be especially relevant with respect to denationalized issues (Kriesi 2001, 17). The organisational representatives of these new social movements, dividing on issues such as ecology, peace, racial tolerance, and woman rights are, on the one side of the spectrum, the Green parties, and on the other, the radical right (Kriesi 1999).

Selection from the endless number of interest groups in the G5 countries is thus based on the notion that modern societies are characterized by two main cleavages, the industrial (representing old politics) and the postmaterialist (representing new politics). Political groups were selected to represent both sides of both cleavages. Organized groups from old politics are divided along the lines of capital and labour with employers' associations and industrial organizations as against trade unions as the corresponding political groups. The postmaterial, or postindustrial cleavage (new politics) is represented by new social movements with a focus on civil and social rights as against those with a rather authoritarian focus on law and order, limits to immigration, etcetera. In addition, we distinguish between umbrella groups and issue-specific groups in order to obtain a comprehensive account of the parallelogram of power operating within the relevant spectrum. The criterion for selection of the issue-specific groups is whether the particular group is specifically affected (negatively or positively) by the denationalization challenge under scrutiny.

In sum, we sought interest groups historically entrenched within the national political system. Our aim was to focus on hard cases, for if the politics engaged in by these groups in the face of denationalization proved different from the more familiar politics associated with the national constellation, our hypothesis that the politics of denationalization is unique would be all the more appreciable. By looking at a good number of carefully selected

interest groups in each of the studied cases, moreover, we enable the generation of a sufficient number of units of analysis, allowing both a qualitative and quantitative investigation to take place.

The Cases

Illegal Content and Cryptography on the Internet
When American researchers under the auspices of the Department of Defence's (DOD) Advanced Research Projects Agency (ARPA) started in the late 1960s to develop a communication network that would allow the shared use of computing resources, they certainly did not anticipate that one day millions of people all over the world would communicate via the very same technology. They certainly didn't anticipate that this network would grow to challenge the very national security they were trying to protect. Yet, this is precisely what has happened. Communications technology today connects an estimated seventy-two million computer hosts worldwide, translating, at the time of writing, into an estimated 260,000,000 users worldwide— and figures continue to rise exponentially. The so-called distributive design of the Internet, the very design that makes it so robust, also makes it extremely difficult to control. There is no central server that can be monitored. Data packets originating from the same transmission simultaneously flow over the various nodes spread all over the world, meaning that a message is never in its whole form once it is in transmission. The result of this is to render national rules and regulations over communication almost entirely ineffective. It is extremely difficult to track down the sender or recipient of a transmission, and even if either could be identified it wouldn't be clear which legal jurisdiction applies to the transmission. In fact, given the structure of today's Internet the very notion of territorial jurisdiction is virtually meaningless. Ultimately, on the Internet, almost anyone can communicate almost anything to almost anyone else. This, of course, implies a significant challenge to all policies attempting to control communication content.

There are numerous laws restricting communication content, many of which emanate from guarantees of other rights. The case studies presented in this context focus on two aspects of Internet content regulation. The first study, on illegal content, deals with more direct prohibitions on communication content, such as, for example, the ban on (child) pornography and certain forms of radical political propaganda. The second study deals with cryptography and legislation that allows the state to legally infringe, for the purpose of law enforcement or criminal prosecution, the otherwise guaranteed privacy of post and telecommunications. The Internet serves as a perfect pathway for the distribution of strong cryptographic algorithms and software that makes it almost impossible for the state to exercise these interception rights.

munity, and in particular, industrialized countries, is binding international CO_2 emissions targets and timetables, including efficient measures for their national implementation. The second case study deals with the further industrialization of developing and newly industrialized countries. While per capita emissions in developed countries are likely to stabilize (at well above the world average), emissions levels in developing countries continue to increase and are expected to represent some fifty per cent of the global total before the year 2025. If these countries continue to develop in the future as they have up until now, their growing CO_2 emissions will more than offset the reductions achieved by industrialized countries and consequently further advance climate change. Therefore, one of the issues discussed, is how international financial and technological transfers help developing and threshold countries move towards sustainable development.

HYPOTHESES AND FINDINGS

Although the general thrust of this study is the generation of hypotheses, it is of course not completely inductive. The generation of hypotheses has been informed by a number of theoretical approaches which are set out in detail in (see also chapter 2). These hypotheses are separated into two clusters. The first type relates to the process of transformation from the national to the postnational constellation. Because what is in question is the difference (or similarity) between the politics of denationalization and politics as usual, it is first necessary to elaborate what we regard as the features of politics in the national constellation. The second type of hypotheses is of an explanatory character. Because our purpose is to understand why national interest groups respond to denationalization challenges the way they do, we look at possible explanations and hypotheses that have been developed in other contexts and adapt them to our field. These explanatory hypotheses derive primarily from either the study of interest groups within the national constellation (Comparative Politics) or the study of intergovernmental institutions (International Relations). If it is true that these two fields merge in the context of multi-level network governance, they still provide guidance in terms of theoretical concepts and working hypotheses.

The Politics of Denationalization

In order to understand the evolving specificities of the politics of denationalization, it is necessary to delineate a clear-cut null hypothesis, that is, an ideal type of interest group politics as it operates in the national constellation. This null hypothesis is that all interest groups' demands and activities in the national constellation are characterized by three features, each of which relates to the three dimensions of group responses we used, that is, spatiality (i.e., group demands with regard to the appropriate level of governance),