

*From nation-state to market-state:
how new alliances will be formed in the 21st Century*

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Presentation to
The New Economic School—Georgia
22 September 2008

(1) About the Transatlantic Institute

- founded in London 2004—already influential
- studies international relations from an independent, objective, non-political point of view
- most recently focused on the Caucasus
- website contains details of all our activities and events, including articles/ transcripts/ podcasts
- other projects include World Freedom Day



(2a) Two concepts of the state

- *civil association*: citizens are united by their adherence to formal rules in their dealings with one another
 - *enterprise association*: citizens are united in terms of a common purpose.
- English political philosopher M. Oakeshott (*On Human Conduct*, 1975) (Hayek has a similar comparison.)



(2b) Basis of a state's authority and legitimacy

The basis of authority and legitimacy in a state depends on which concept is more influential. This distinction is currently represented by: *nation state versus market state* (P. Bobbitt, *Shield of Achilles*, 2003).



(3a) The nation state

Basis of legitimacy: purpose of state is

- to maximise the nation's welfare
- to guarantee ever-improving material well-being of nation
- to be a provider/ redistributor.

Resisted market forces where these threatened the state's purposes.



(3b) The nation state (continued)

- Historical period: from second half of 19th century (era of state education, trade unions, growth of welfare state, economic planning, mass democracy, total war) until now.
- Currently being undermined by: globalisation, technological development... leading to failure to deliver on state purposes.

(3c) The nation state (continued)

Nation-state concept of sovereignty divided into internal (state – citizen), and external (state as part of the global society of states).

- External: nation states formally equal in global institutions, eg. UN, or alliances, eg NATO.
- Internal affairs of sovereign states are their own affair.



(4a) The market state

Basis of legitimacy: purpose of state is

- to maximise individual opportunity of its citizens
- to provide civilians with security from war, terrorism and humanitarian crises.
- to be a provider/ redistributor to no more than a minimal degree.

Encourages rather than resists market forces.

Networked, decentralised, marketised.



(4b) The market state (continued)

- Historical origin: late 20th century (international capital market deregulation, establishment of World Trade Organisation, success of market-based reforms in Western democracies)
- Could be undermined by: security threats, failure of international institutions to evolve in tandem.



(4c) The market state (continued)

- Some existing states that approach this paradigm still formally adhere to the traditional concept of sovereignty inherited from the nation state.
- USA exceptionalism whereby sovereignty is incompletely vested in the state – sovereignty is ultimately vested in “We the people” and delegated to the offices of the state, thereby clearly demonstrating the consent of the people.
- Each citizen has inherent human rights which take precedence over the state’s sovereign rights.

(5) The Cold War

- can be characterised as a conflict between nation states
- the run-up to the period of technology-led globalisation: between 1947 and 2000, there was a 20 fold increase in the volume of world trade, and a 700 per cent rise in gross global product.

(6) Changes within the USA that exemplify the transition from nation state to market state

- US Federal Government spends \$100 billion more on outside contractors than it does on salaries of state employees (NASA, US Army)
- incentive-based programmes for education:
Mayor Bloomberg of NYC gives parents \$25 to attend Parent-Teacher Association meetings, \$50 to obtain a library card, \$400 to obtain a high school diploma



(7) International Organisations and international law fail to keep pace with these changes

Are we expecting more than they can deliver?

- North Atlantic Treaty Organisation
- United Nations

(8) The Russo-Georgian War

- Commentators claim this is a return to the Cold War, with Russia reasserting its influence in its “near-abroad”, and speak of Russia’s strength
- Russia since 2000 has used the market to strengthen its position, “energy as a weapon and foreign policy tool”
- Putin said in 2005: the collapse of the USSR was the greatest geo-political catastrophe of the 20th century

(9) What are Russia's weaknesses?

- demographics
- corruption of legal system
- foreign investment climate poor, short-termist views about re-writing agreements
- weak contract law
- regional influence, not able to project power



(10) What Russia was expecting to achieve with Russo-Georgian conflict... and what was actually achieved

- Shanghai Cooperation Organisation
- Russia's relations with Iran

(11) The conflict thus far has been handled in a way not consistent with a 19th/20th-century approach

- Russia plays an outdated game and is met with a 21st-century response, eg. out-flow of capital from Russia.
- Russia fails to appreciate the need for confidence.
- Incentives, not fear, are the only way to retain influence.
- Mis-appreciation of where Russia's interests lie.



(12) The Russo-Georgian War is an example of one of the death cries of the old order, a result of the transition period



(13) Creation of new international alliances

Possible names: Alliance of Democratic States

But respected commentators fail to see this:

Svante Cornell: “Armenia and Turkey will not reach agreement.”

But they are wrong, the Russo-Georgian War has fast-forwarded the agenda, and may be seen as heralding the real “New” World Order.

With new alliances emerging, maybe the darkness we see is light.



(14) Dangers

- belief in the old-order mentality Russia is seeking to drag us into
- weakness of international resolve
- loss of faith within states that are being bullied by Russia

But signs are good that this is not happening, and whilst it is possible that the Russians will flex their muscles again, each such event will result in their increasing isolation.



(15) World Freedom Day



A Transatlantic Institute project:
WorldFreedomDay.org

- balloons
- postcards
- wristbands (Georgia 2008)

Thank you!

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