

**BACK TO THE FUTURE:
NEOMEDIVALISM AND THE POSTMODERN DIGITAL
WORLD ECONOMY**

Stephen J. Kobrin
The Wharton School
The University of Pennsylvania
Kobrins@wharton.upenn.edu

Forthcoming as: Chapter 6 in *The Globalization and Governance*. Aseem Prakash and Jeffrey Hart, eds. London and New York: Routledge, 1999. This is a slightly revised reversion of an article by the same name appearing in *The Journal of International Affairs* (Spring 1998:361-386).

We are entering a period of turbulent, systemic change in the organization of the world economic and political order--a period comparable to the transition from the feudal to the modern era in the 16th and 17th centuries. As Hobsbawm (1990: 174) observes, the late 20th century world economy appears temporally confused, involving a “curious combination of the technology of the late twentieth century, the free trade of the 19th, and the rebirth of the sort of interstitial centres characteristic of world trade in the Middle Ages.” *

In this volume globalization is defined generally as a set of processes leading to the integration of economic activity in factor, intermediate, and final goods and services markets across geographical boundaries, and the increased salience of cross-border value chains in international economic flows. More specifically, I argue that globalization entails two interrelated, technologically driven phenomena.

First, dramatic increases in the cost, risk and complexity of technology in many industries render even the largest national markets too small to serve as meaningful economic units. Second, and more important here, the emerging global world economy is electronic, integrated through information systems and technology rather than organizational hierarchies. Globalization represents a systemic transformation of the world economy that will result in new structures and new modes of functioning (Kobrin 1997).

We are in the midst of what Cerney (1995:607 and his chapter in this book) and others have called the third industrial revolution, “characterized by the intensive application of information and communications technology, flexible production systems and organizational structures, market segmentation, and globalization.” The digital revolution has “dematerialized” manufacturing and commerce; all firms, regardless of sector, have become information processors.¹

One result of the information revolution is the “deintegration” of the large, vertically integrated “Fordist” firms which organize a significant portion of international economic transactions within their administrative hierarchies (Parker 1992). In their place, a complex system of networks and alliances is emerging in which information technology facilitates the integration and coordination of geographically dispersed operations. An international system of production is being replaced by a complex web of interlaced global electronic networks (Dicken 1994).

The scale and complexity of technology and the emergence of electronically integrated global networks render geographic borders and, more fundamentally, the basic construct of territorial sovereignty problematic. A critical issue raised by globalization is the lack of meaning of geographically rooted jurisdiction when markets are constructed in electronic space. There is a basic disconnect between geographic space and cyberspace.

I. THE NEO-MEDIEVAL ANALOGY

The Peace of Westphalia (1648) is taken conventionally as marking the end of medieval universalism and the origin of the modern state system. The medieval to modern transition entailed the *territorialization* of politics, the replacement of overlapping, vertical hierarchies by horizontal, geographically defined sovereign states (Anderson 1996; Jarvis and Paloni 1995).

The modern state system is organized in terms of territorial sovereignty: the division of the globe’s surface into fixed, mutually exclusive, geographically defined jurisdictions enclosed by discrete and meaningful borders.² Nation states and national markets are defined spatially. Geographic jurisdiction implies that each state’s law, rules and regulation apply *within* its territory--within the space encompassed by its borders.³

As Carr (1964:229) noted many years ago, it is difficult for contemporaries to even

imagine a world in which political power is organized on a basis other than territory. Geographically rooted, sovereign nation states and the international state system, however, are relatively recent creations which comprise but one of a number of historical modes of organizing political activity.⁴

Furthermore, the current state system may well be unique, a product of a very specific historical context. Agnew (1994:65) reminds us that “the spatial scope of political organization has not been set for all time in a particular mode. The territorial state is not a sacred unit beyond historical time.” Territorial sovereignty is not historically privileged. There have been other bases for the organization of political and economic authority in the past. There may well be in the future.

Yet we tend to view systemic change as evolutionary by making the very modern assumption that time’s arrow is unidirectional and that progress is linear. We assume that each era emerges, in turn, from existing political-economic structures and, in some way, moves beyond what existed previously.

It may be more reasonable to look at modern forms of international political and economic organization as a detour rather than an evolutionary step. The modern era may be a window which is about to slam shut. Guehenno (1995:4), for example, argues that the nation state is an ephemeral political form, “a European exception, a precarious transition between the age of kings and the ‘neo-imperial’ age.” Anderson (1996:143) characterizes the political progression from pre-modern to modern to postmodern as a “movement from relative to absolute and then back to (new) relative conceptions of space.”

It is critically important to note that I use the terms *modern* and *postmodern* in a very limited sense; they describe distinct (at least from a distance) modes of international political

organization. By modern, I mean specifically the post-Westphalian era of territorially sovereign, geographically defined sovereign states. Pre-modern refers to prior non-territorial modes of political organization: empire and medieval. Postmodern assumes a transition to a new, yet undefined, mode of political organization not rooted in geography.

It is, of course, impossible and less than desirable to draw a clean line between postmodern political organization and *post-modernism*. While I am not ready to dismiss metanarratives, fragmentation is certainly plays a major role in any discussion of globalization. Appadurai's (1996) reference to an emergent postnational order comprising a devolution from homogeneous to heterogeneous social units would not be out of place here, nor would Harvey's (1990) discussion of Fordism and flexible accumulation. The emergence of an electronically mediated global civil society is both a manifestation of post-modern fragmentation and of postmodern political-economic organization. None-the-less, the reader should keep in mind that my use of postmodern refers specifically to the emerging mode of political-economic organization resulting from globalization.

The beginning of the 16th century is widely identified as the watershed between the medieval and modern eras (North and Thomas 1973:102). If we are again at a similar watershed, on the cusp of a transition to a postmodern era, what might it look like? If the post-Westphalian era is coming to an end, can we discern the shape and structure of the emerging, global international political -economy?

A closer look at medieval Europe, the “immediate” past, can help us imagine our postmodern global future. In the *Star Wars Trilogy*, Darth Vader is clad in the armor of the traditional villain of medieval epics -- the Black Knight -- and he and Luke Skywalker duel with laser sabers in a fight that, but for the weapons, would be at home in *Henry IV*. Similarly, the

costumes in the futuristic *Waterworld* have been described as neomedieval iron and kelp. In politics and economics, as in science fiction movies, it may help to attempt to visualize the unknown future in terms of the known past.

To be clear from the outset, I do not argue that we are about to return to a world of manors and fiefs, of lords and vassals. If the modern era is an anomaly, however, looking back to medieval Europe may help us understand the rough outlines of an emerging postmodern global economy. The neomedieval metaphor should be seen as an inter-temporal analog of comparative political analysis. It allows us to overcome the inertia imposed by our immersion in the present and think about other possible modes of political and economic organization.

I am certainly not the first to use neomedieval analogies.

Almost 20 years ago, Bull (1977:254) suggested that one alternative to the modern state system might be “a modern and secular equivalent of the kind of universal political organization that existed in Western Christendom in the Middle Ages.” Since that time, a number of other authors have looked back to medieval Europe to try to understand change in the international system.

Hirst and Thompson (1995) observe that international politics is again becoming more polycentric and suggest that its complexity will soon rival that of the Middle Ages. Similarly, Lapham (1988), discussing the emergence of a variety of non-national actors in world politics, suggests that “the hierarchies of international capitalism resemble the feudal arrangements under which an Italian noble might swear fealty to a German prince, or a Norman duke declare himself the vassal of an English king.” Anderson (1996) uses neo-medieval or postmodern conceptions of territoriality to think about the future of the European Union.

Gottlieb (1993) and Maier (1994) are both concerned about conflicts between nation and

state and look to earlier times when sovereignty was “divided” and not inherently territorial for possible solutions. Lipschutz (1992) argues for a global civil society which would mirror the pre-Westphalian, trans-European supranational civil society.

In an interesting paper, Matthew (1995) suggests an analogy between environmentalism in our era and medieval Christianity as a possible universal ideology. More soberly, many observers, including Kaplan (1994), are concerned about parallels between the disorder and violence of the early Middle Ages and the breakdown of civil society and rise of crime in much of the Western world, often noting the similarity between modern suburban walled and gated communities and medieval castles and moats.

Most relevant to the present discussion, Hirst and Thompson (1995) argue that the medieval analogy helps us think back to a period before the monopolization of governance functions by sovereign states, to a world which was not constructed on the basis of territorial sovereignty. Thinking about the Middle Ages, the last pre-modern period, might help us to imagine possibilities for a postmodern future.

This paper explores the following facets of medieval organization and relates them to changes in the current international political economy:

- Space, geography and borders
- The ambiguity of authority
- Multiple loyalties
- Transnational elites
- Distinctions between public and private property
- Unifying belief systems and supranational centralization

II. SPACE, GEOGRAPHY AND BORDERS

Medieval concepts of perspective and viewpoint were not compatible with territoriality as a mode of political organization. Medieval maps reflected scriptural dogma rather than useful images. The wider world was seen through a screen of symbolism: the idea of external space was only very weakly grasped in terms of a mysterious cosmology comprised of heavenly hosts and other figures of myth and imagination (Harvey 1990; LeGoff 1988).

The revival of Ptolemy's geography in the mid-15th century and the development of modern maps over the next hundred years were necessary for the *idea* of a modern international system based on mutually exclusive geography and territorial sovereignty even to become possible.⁵ The very idea of conquering and controlling external space requires a modern mind-set: the ability to see it as something finite, bounded and “capable of domination through human action” (Harvey 1990:254).

The concept of international affairs is distinctly and uniquely modern, dating from the late 18th century; it was not relevant before the emergence of territorially defined nation states and national markets. International transactions *are* cross-border economic and political interactions which assume the existence of clearly defined, delineated and separable domestic markets and polities.

Medieval European borders were diffuse, shifting and permeable; it is anachronistic to see them as modern jurisdictional limits. Strayer (1970:83) imagines a situation where in a single day, at the end of the 13th century, the King of France might have sent letters to the count of Flanders, who was clearly his vassal; the count of Luxembourg, a prince of the Empire who held money fief; and the king of Sicily, who while a ruler of “sovereign” state, was also a prince of the French royal house.

In that context, political power and authority could not be based on mutually exclusive geography. Territory was a temporally variable projection of medieval political power rather than its source. As Teschke (1998) notes, territory could be outside of the sovereign's reach, yet neither an enclave nor part of a third state; feudal territory should be seen in terms of concentric circles of power projection. Fluctuating frontier zones and overlapping authorities made it difficult to establish precise boundaries.

Given the very complex overlapping systems of authority and the absence of states and fixed boundaries in the pre-modern European world, it was far from clear who was actually independent and what "foreign" really meant as a political construct. In medieval Europe, the difference between domestic and international politics had little or no meaning; it was almost impossible to distinguish between internal and external affairs (Strayer 1970; Krasner 1993).

In contrast, modernity can be seen as built on the notion of the state as a means of organizing and defining political space. "It is the sovereign state that lays claim to define the boundaries of the political. States partition the global political space into separate polities and the *international* is constituted only in the relations between states. We are thus left with a vision of the global political space as constituted entirely and exclusively by states" (emphasis original). (Camilleri, Jarvis and Paloni 1995:4.)

Economic governance in the modern state system assumes that all transactions take place somewhere; that all income streams, production, sales, loans and currency exchanges can be located precisely in geographic space. It assumes that at the end of the day one can determine whose law or regulation applies and in which national market or jurisdiction the transaction takes place.

With the emergence of an integrated global economy, however, it is increasingly difficult

to determine what is a national product, a national technology or even a national firm. In today's world, the most important barriers to free flows of international trade and investment are not border restrictions but domestic policies which deal with intellectual property, health and safety standards, worker rights and environmental conditions. The clear line between domestic and international transactions is again becoming ambiguous and blurred.

In 1995, Honda was North America's leading exporter of passenger cars (Business Week 1996: 113). Are those exports American and Canadian or are they Japanese? Increasingly, research, development and even production in high technology industries is organized through multinational strategic alliances. Is semiconductor technology developed by the IBM-Siemens-Toshiba alliance American, German or Japanese? Is the question of the nationality of a product, technology or firm even relevant in an integrated global economy? As Reich (1990) asks: "Who is US?"

In our transnationally linked and globally integrated world, both borders, and the attendant sharp distinction between the domestic and the foreign, are again losing meaning. In an interdependent global economy, basic issues such as unemployment and income inequality are no longer domestic problems subject to domestic solutions. Once more, it is far from clear who is independent and who is not.

Going further, one can ask whether the very concepts of geographic space and geographic markets still have meaning when transactions take place in cyberspace. Le Goff (1988) describes medieval typography in terms of a collection of greater or smaller clearings--economic, social and cultural cells--surrounded by a vast impenetrable forest. Our emerging digitally networked world may well come to resemble small cells or clearings surrounded by an electronic forest or no-man's-land.

Cyberspace is not physical, geometric or geographic. The construction of markets as electronic networks renders space once again relational and symbolic, or metaphysical. External reality seen through the World Wide Web may be closer to medieval Christian representations of the world than to a modern atlas. It is becoming increasingly difficult to determine *where* economic transactions take place or whether geographic space and geographic markets remain relevant.

The Indian software industry, in which exports have grown dramatically in the last decade, provides an example.⁶ It is now routine for programmers sitting in Bangalore to work on computer systems in New York and London through real-time satellite linkages. If an Indian programmer upgrades a software system in a bank in New York, there is no question that economic value is being added. It is impossible, however, to specify where the transaction takes place: in India, in the United States, or in both simultaneously? The Indian programmer working on a bank's computer in New York raises some fundamental questions about the meaning of the term "international trade" as cross-border economic transactions.

More abstractly, the idea of geography as a basis for the organization of politics and economics may be losing meaning. To a very real extent the international financial system, comprised of thousands of monitors located all over the world, is constructed in digitalized electronic space. It is the first global electronic marketplace and certainly will not be the last.

The Internet is at the same time in many places and no place. While the nodes or servers can be located precisely in geometric space, the Internet itself cannot. The Internet has been aptly described as "a nightmare scenario of every government censor" which has "no physical existence and recognizes no national barriers" (Cole 1996:8).

To be clear, I do not argue that nations or even states are about to fade into the ether.

Great Britain, the United States, Japan, Venezuela and Thailand will be here for the foreseeable future. However, I do agree with Strange (1996:73) that the state is in the midst of a “metamorphosis” resulting from structural change in the world economy and society. The borders between states are losing meaning as discrete limits to jurisdiction, or “lines in the sand,” over which flows of people, goods, capital and information can be readily controlled. Distinguishing between internal and external affairs is again becoming difficult. It is thus reasonable to ask whether the clear separation between domestic and foreign, the construct of international or cross-border affairs and indeed the very idea of territorial sovereignty may be unique to the modern era.

III. THE AMBIGUITY OF AUTHORITY

The Middle Ages lacked the singular relationship between authority and territory characteristic of the modern era; geographic location did not determine identity and loyalty (Hirst and Thompson, 1995; Spruyt, 1994). Overlapping and competing political authorities were the norm rather than the exception. At times, the spheres of pope, emperor, prince and lord were all interwoven and comprised complex aterritorial networks of rival jurisdiction.

Citing other sources, Ruggie (1983:274) describes the medieval system of rule in terms of a “patchwork” of overlapping and incomplete rights of government which were “inextricably superimposed and tangled.” He labels the medieval institutional framework *heteronomous*, connoting a “lattice-like network of authority relations.” These overlapping, interwoven and incomplete systems of authority often resulted in competing claims to the same geographic area.

To assert singular territorial authority, early modern monarchs had to exert primacy over a patchwork of dukedoms, principalities and other localized authorities as well as transnational institutions such as the papacy monastic and knightly orders (Kennedy 1993). Until that was

accomplished, the concept of an unambiguous relationship between authority and territory was unknown.

Sovereignty--in its modern sense--*is* unambiguous political authority. The underlying idea of the modern political system is exclusive authority over a discrete geographic space, which entails the absence of both domestic competitors and extraterritorial superiors. It implies that the state is the ultimate domestic authority and bows to no external power, be it pope or emperor (Agnew 1994; Hirst and Thompson, 1995; Spryut, 1994).

Singular territorially based authority is once more becoming problematic in our emerging postmodern global political economy. In part, this results from the marked increase in regional economic integration in the last quarter of the 20th century--integration motivated to some extent by a technologically driven need to increase market size.

Europe provides the most advanced example of regional economic and political integration. While the motivations for European integration are complex, economies of scale – in both manufacturing and technology – certainly play a major role. Virtually all of the European national markets are too small to allow either competitive manufacture in capital-intensive industries or competitive research and development budgets in technology-intensive industries. This need to integrate is reflected in the record numbers of pan-European mergers and acquisitions in the mid-1990s.⁷

Moreover, despite all of the arguments about federalism, the European Union does have real political authority (See Sandholtz's discussion of the EU in his chapter in this volume). The single market requires that issues such as product standards and competition policy be set at the center. The issue of E.U. social policy, including collective bargaining rights, length of work week, hiring and firing conditions, pregnancy leaves, sick time and the like, provide an example.

While social policy reflects very basic national preferences grounded in differing political-economic philosophies, the Single Market requires a unified approach. The result is a complex web of overlapping--and at times opposing--European, national and even regional authorities, all responsible for workplace conditions. It is illustrative of the emergence of multiple authorities resulting from regional economic integration.

The European Union also provides examples of the rise of multiple juridical authorities. A British film maker whose film was banned in the United Kingdom on grounds of blasphemy recently took his case to the European Court of Human Rights arguing that his freedom of expression was violated and that the statute--which dates from the Middle Ages--was anachronistic and illegal under the broader laws of Europe. If the suit is successful, the British Government may be forced to ask Parliament to reconsider the blasphemy law (Hague 1996:11).

Singular territorially-based authority is also compromised by the increased importance and power of international institutions, which in turn reflects the fact that many problems facing states at this point, such as the environment, crime, corruption, the spread of disease and maintenance of an open international system of trade and investment, cannot be solved nationally.

For example, unlike the complex web of bilateral and multilateral treaties which comprised the General Agreement on Tariffs and Trade (GATT), the World Trade Organization (WTO) is an international institution with substantial adjudication authority. This additional authority is, at least in part, a response to increased frequency, complexity and importance of bi- and multilateral trade disputes in areas such as financial services, intellectual property and trade-related investment issues.

In April 1996, the WTO's tribunal decided that U.S. environmental regulations issued under the Clean Air Act discriminated against imported petroleum. The reaction in the American

Congress was immediate and predictable, with complaints about surrendering national sovereignty to so-called foreign judges and calls for withdrawal from the organization.

Attempts to stamp out corruption in international business, or at least limit it, also illustrate the interweaving of international, national and non governmental authorities. In May 1996, ministers from 26 major industrialized countries met under the auspices of the Organization for Economic Cooperation and Development (OECD) and agreed to criminalize the tax deductibility of bribes to foreign officials. This agreement resulted from the intense efforts of a variety of actors: national authorities, especially the U.S. Government, which perceived itself at a competitive disadvantage because it currently has a law on the books criminalizing bribery in international business; Transparency International, a nongovernmental international organization (NGO) dedicated to fighting corruption; and the OECD itself (Glynn, Kobrin and Naim 1997).

There is no question that this represents an interweaving of national and supranational authority that differs in kind from the conflicts between states and international organizations that were characteristic of much of the 20th century. Such overlap reflects both the increasing integration of the world economy and the need for multilateral solutions to complex problems.

Non-state actors have also rendered political authority ambiguous. Dramatic advances in communications and, in particular, the convergence of telecommunications and computers, have been a prime cause of the increased number and importance of NGOs such as Amnesty International, Transparency International and Green Peace, all of which are significant political authorities. These transnational actors are now able to link interest groups directly in a relatively large number of countries through telephone, fax and the Internet. They can share information widely and rapidly, develop a common transnational position on issues, publicize it broadly and effectively lobby both their respective national governments (as concerned citizens) and

international organizations.

There is no question, for example, that Green Peace functioned as a significant political actor in the international political system during the dispute over the disposal of Shell's Brent Spar off-shore drilling platform in 1995. The dispute was orchestrated by Green Peace, and pitted Shell and the U.K Government against Germany and Prince Bernhard of the Netherlands. In the end, Shell backed down from its plan to scuttle the rig in the Atlantic and had to apologize to British Prime Minister John Major for undercutting his support (Tining 1995:1).

The important point is that Green Peace was able to do much more than mobilize public opinion through the media. Its affiliates in a number of European countries were able to mobilize the support of their respective governments directly. Shell faced patchwork of overlapping and incomplete political authorities, both state and non-state.

Similarly, a coalition of over 600 NGOs located in a large number of countries and linked electronically through the internet and the World Wide Web were able to mobilize sufficient opposition to the Multilateral Agreement on Investment (MAI) being negotiated at OECD that it was tabled in April of 1998. This was a clear manifestation of the potential effectiveness of non-state actors, of global civil society, in an electronically interlinked world (Kobrin 1998a).

A number of observers take the emergence of transnational actors and NGOs as an indication that states are becoming one of a number of--albeit unequal--competing and overlapping layers of authority, and that international politics is becoming more complex and polycentric. Rosenau (1990:274), for example, foresees the emergence of "a paradigm which neither circumvents nor negates the state-centric model but posits sovereignty-bound and sovereignty-free actors as inhabitants of separate worlds that interact in such a way as to make their coexistence possible." Strange (1996:73) argues that the state "is becoming, *once more as*

in the past, just one source of authority among several..." (emphasis added). Similarly, Cerny in his chapter discusses the transformation of world politics into a polycentric system as a result of globalization.

Non governmental and private international organizations may be one indication we have come full circle to a neo-medievalism where sources of authority are "multifarious" (Spiro 1995:46). They may herald the emergence of what some have called a "global civil society," which provides multiple, interlaced competitors to the singular territorial authority of the state.

In a similar fashion, digitalization and the emergence of electronic markets and electronic commerce may well render the very idea of geographic jurisdiction--and the singular, unambiguous territorial authority characteristic of the modern state system--problematic. A recent U.S. Treasury paper argues that electronic commerce may dissolve the link between transaction and location: "...electronic commerce doesn't seem to occur in any physical location but instead takes place in the nebulous world of 'cyberspace'" (Department of the Treasury 1996). Asking *where* the transaction takes place is not relevant in markets constructed in cyberspace.

This is particularly evident in a number of the issues associated with cross-border electronic commerce. For example, it is now technically feasible for a customer in Germany to download a music album to her computer's hard drive from a French music company whose website is maintained on a computer in India, and then pay digitally (perhaps with a smart card) with a deposit of electronic cash in a Cayman Islands bank.⁸

In the modern system, geographic location or jurisdiction determines which authority has the right to tax the income stream arising from the transaction or the sale itself (a sales or value added tax). Where does this transaction take place? Who gets to tax the sale? It is far from clear

that buyers and sellers transacting over the Internet actually know *where* the other party is located. If the bytes comprising the album are routed through five countries do they really cross five borders? While the problems posed by overlapping or conflicting tax jurisdictions are certainly not new, the very concept of a singular territorially based political authority may be irrelevant in the Digital Age.

A medieval lord dealt with multiple authorities--emperor and sovereign, sacred and secular--as the norm. It is the modern era, where political authority is defined in terms of unambiguous territoriality, which may be the outlier. The postmodern may well have to learn to accept a heteronomous world of interlaced regional, national, local, supranational, institutional and non-governmental authorities.

IV. MULTIPLE LOYALTIES

William Marshall, Earl of Pembroke, was at the same time a vassal of the kings of England and France, and actually negotiated with the latter for the former. When in 1204 John Lackland, King of England, ordered Marshall to cross the Channel with him to attack France, he replied: "Ah sire, for the grove of God, it would be an evil thing if I were to go, since I am his sworn liege" (Duby 1985:141). Marshall, with some difficulty, managed these conflicting relationships well.

Physical location did not define one's place in the feudal political structure. Individuals held multiple titles which could result in complex networks of reciprocal relationships and conflicting duties and obligations (Krasner 1993). As a result, William Marshall and most medieval people saw nothing unusual in situations where allegiances overlapped; multiple and conflicting loyalties were the norm rather than the exception.

Unambiguous political loyalties arise from political identities rooted in territory and

geography. Even the most visible modern “dual loyalty” problem--the conflict between loyalty to nation and loyalty to state--is “resolved” by trying to square the circle through self-determination, giving every nation its own piece of geography. Unambiguous political loyalty, however, may be another modern exception, and a relatively recent one at that.

As the conflict in Bosnia so tragically illustrates, self-determination is not the answer to nationalism; it is simply not possible to give every people sovereignty over their own territory. A number of observers suggest that geographic sovereignty rather than nationalism may be the problem. It may not be possible, or even desirable, to root political identity unambiguously in mutually exclusive geographical entities. Maier (1994) argues that solutions such as “confederalism, cantonization and overlapping citizenship” may merit serious consideration. Similarly, Gottlieb (1993) calls for “deconstructing” the notion of sovereignty to allow space for a system of nations to exist alongside the system of states. Both authors argue that multiple political identities are inescapable.

As noted above, the dramatic technological breakthroughs in telecommunications and computing have increased direct transnational contacts, through NGOs and other transnational actors, and have created new common identities that cut across national borders and “challenge governments at the level of individual loyalties” (Spiro 1995:45). A number of observers see the emergence, or reemergence, of a global civil society comprised of networks of individuals in distinct locations who link themselves together for specific social and political purposes.

Similarly, Appadurai (1996) notes that with mobile populations linked electronically, the very idea of a nation may now be “diasporic.” Nations are increasingly unrestrained by ideas of spatial boundaries and territorial sovereignty. He notes that using electronic media, widely dispersed individuals “imagine” themselves as belonging to a national society.

These developments hark back to arrangements which were common in Europe before the emergence of the Westphalian state system (Lipschutz 1992). The failure of self determination to solve the nationalities problem and the increasing importance of transnational relations has, in Agnew's (1994:62) words, resulted in "a remarkable flowering of alternative political identities."

The pulls of conflicting loyalties are not new⁹. Country, church, corporation and family have always competed with one another, coexisting easily at times and uneasily at others. The issue, however, is not the conflict between overlapping loyalties in general, but between overlapping political loyalties. At least in theory, during the modern era political loyalty was a function of geographic location. Since the French revolution, one has not a subject of a sovereign, but a citizen of a state that is a geographically conceived and determined entity.

What is new, or perhaps not so new, is the emergence of multiple and competing *political* loyalties. The problems with self-determination, the rise of supranational authorities and modern, often electronically based, transnational relations all loosen the ties to geography and again increase the probability of multiple and conflicting *political* loyalties.

One certainly can be both a European and a Belgian. In the relatively recent past, however, being a European had cultural and social rather than political implications. With the formation of the European Union, that is no longer the case; one is both a European and a Belgian in a very basic political sense and, as noted above, the two authorities can easily overlap and conflict.

Similarly, transnational organizations such as Greenpeace link individuals from a number of countries together to achieve specific political ends. To the extent environmentalism, for example, has become a transcendent political ideology, it could easily result in conflicts of political loyalty. An English member of Greenpeace could well refuse, at least metaphorically, to

cross the channel to do battle at the side of the prime minister against continental states and continental environmentalists.

V. TRANSNATIONAL ELITES

As Hobsbawm (1990:85) observes, 20th century transnational corporations are far more likely to chose their CEOs from their home country than were 19th century nation states likely to choose kings “with local connections.” Until recently, and especially in Europe, elites were transnational; the medieval nobility saw itself as European rather than national. Elites might be linked to territories and titles certainly were grounded in place, but they were not territorial in the modern sense.

While I hesitate to draw parallels between executives of the transnational firm and the medieval nobility, geographic place does seem to have lost some of its pull. A cosmopolitan elite is reemerging as multinational firms begin to draw their top executives from a relatively wide range of backgrounds. There is a considerable managerial corps which is as comfortable in Bangkok as Boston, Mantua as well as Manchester. The World Bank, for example, is often described as comprised of citizens of 100 countries who attended six universities.

The emergence of a digital world economy, of electronic commerce and electronic cash, may be another source of emerging cosmopolitanism. The Internet and its associated activities link virtual communities worldwide. It may widen the gap between “haves” and “have-nots,” between a global elite with access to information systems and information and those without. The Internet also reinforces the trend, which one may or may not approve, of English becoming the universal language of world business, the Latin of the multinational corporation and the digital world economy.

VI. PUBLIC AND PRIVATE PROPERTY

In the English manor, “the most characteristic version of the manorial village,” it was difficult, if not impossible, to separate the subsistence of the villagers from the lord’s profit and authority (Previte-Orton 1971:424). A medieval lord would have found a clear distinction between public and private interests and property alien. He would not have understood an attempt to distinguish his property and interests as duke, for example, from those of his dukedom. Indeed, in the Middle Ages, there was no clear line separating public from private offices. The English sheriff, one of the oldest public offices, began as an estate manager for Anglo-Saxon kings (Strayer 1970).

While there was some concept of common property in medieval Europe, the idea of public (as opposed to common) property or public goods was very underdeveloped. Justice and protection provided by the lord of the manor certainly cannot be described as public goods in the modern sense. Correspondingly, the concept of private property or property rights, especially with regards to land, was very poorly developed. The feudal system recognized multiple rights to land rather than land ownership (North and Thomas 1973; also see Cerny’s discussion of public goods in his chapter).

The sharp and clear distinction between the public and private spheres--the idea of private property and private ownership, as well as the corresponding idea of public or collective (as opposed to the lord’s) property--is bound up with the modern era and the modern state (North 1981). There are reasons to ask whether the distinction between the public and private is becoming diffuse once again as we enter a period of transition to a postmodern global political economy.

One of the fundamental public aspects of the Webberian state, the domestic monopoly of

force and coercive power, does appear to be breaking down. Protection is becoming rapidly privatized, at least among the segment of the populace that can afford it. Even in the United Kingdom, for example, the private security industry employs more people than the entire uniformed police force (The Independent 1995).

A *New York Times* story entitled “When Neighborhoods are Privatized” reported that when residents of the upper East Side of Manhattan became exasperated with street crime, they tried to create a private security district to hire 500 private officers. While this particular effort ultimately failed, it is indicative of a rapidly growing trend--the privatization of public services. Walled-in, secure, private towns which tax themselves heavily and where all public services are privately performed are becoming relatively common. As of 1995, nearly 4 million Americans lived in walled-off, gated, secured private communities, which represent one of the fastest growing segments of the residential real estate market (Eagen 1995).

More generally, the postmodern global world economy is blurring the distinction between the public and private spheres. Very large private banks are public actors; the implications of failure or default for the international financial system and national economies are too great to allow. Furthermore, many of the arrangements to mitigate this risk are neither public nor private but a cooperative effort between central bankers, national authorities and private banks.

The Group of 20, for example, is a consortium of leading international banks that work in close association with national central banks. It has recently agreed upon a mechanism to deal with the risk arising from settlement of foreign exchange transactions occurring in different time zones. The agreement, which will be implemented “privately,” serves an obvious “public” need of reduction of risk to the international financial system (Graham 1997:6).

The emergence of significant non-governmental transnational actors in world politics--

defined by Keohane and Nye (1971:xi) in their original paper as “contacts, coalitions, and interactions across state boundaries that are not controlled by the foreign policy organs of governments”—makes public-private distinctions difficult. Leaving multinational firms aside, it is impossible to classify Green Peace, Amnesty International or Transparency International as either fully private or fully public entities. As noted above, there is no question that Green Peace played a major role in international politics by mobilizing public and governmental opinion against the deep sea disposal of Shell’s Brent Spar oil platform. Whether it performed that role as a private or public actor may no longer be a relevant question.

Another major dimension of a postmodern world economy, the digitalization of commerce and the emergence of global electronic networks, also makes the public-private distinction problematic. Is the Internet a public or private “public utility”? It was, in part, created with public funds, but is now entirely managed—if that word is appropriate—privately. Attempts to exert public control over content, whether the problem is perceived as pornography in Washington, D.C., or potential terrorist activity in Germany, have been less than resounding successes.

The digitalization of the economy also raises some very basic questions about the meaning and validity of the concept of property rights in the postmodern era. Who owns a digital image? How can the state grant rights to the owner which can be enforced given the often zero marginal cost of reproduction and transmission? Going further, the classic definition of a public good is one where consumption is not diminished by use, and access cannot be restricted (e.g. a lighthouse). But do many privately produced digital goods also fit this definition?

We are certainly not returning to a world of manors and dukedoms. However, it is conceivable that the clear separation between the private and public realms and the very idea of

distinct private and public property may be tied to a specific, perhaps exceptional, historical era.

The distinction was not relevant in pre-modern times and it may not be relevant in the postmodern future.

VII. UNIFYING IDEOLOGIES AND SUPRANATIONAL CENTRALIZATION

Malraux has said that during the Middle Ages there was a Europe because there was Christianity--and Christianity was serious. During the Middle Ages, Europe *was* Western Christendom.

The power of the Church vis-à-vis the secular authorities varied considerably over time, and even after the settlement of the investiture conflict in the 12th century never quite achieved Gregory VII's objective of making the papacy the “supreme and autocratic ruler” of both the ecclesiastical hierarchy and the secular potentates. Christianity was, nonetheless, the major unifying force in medieval Europe (Previte-Orton 1971:500).

All authority, whether holy or secular, was thought to derive ultimately from God; all European thinkers accepted the idea of Christendom as a unified society which was governed by divine law (Krasner 1993). The criterion for inclusion in the political system was based on universal Christianity rather than a particular geographic location. There is no question that a truly universal ideology and political order existed.

Furthermore, the legacy of Rome was strongly felt in the Middle Ages. While the attempt of Charlemagne to recreate Rome was relatively short-lived, and the power and authority of Holy Roman Emperors varied over time, there was a belief in, or perhaps a longing for, the re-establishment of a center: for the order, the law, the culture and the glory that was Rome.

Again, the essence of the modern state system is sovereignty; the idea that there is no ultimate, central or universal authority, such as a pope or emperor, over that of the state. As a

result, a defining characteristic of the modern system is anarchy; the absence of a central authority to enforce agreements, sanction offenders or even adjudicate disputes.

It is important to note that anarchy has both positive and normative implications. It is both a property of the system and a belief that there should not be a universal order or supranational authority. If one accepts a traditional realist view of world politics, even sustained international cooperation is problematic.

In many respects, there is a marked asymmetry between this decentralized structure of the modern state system and the problems we face as we enter the postmodern global era. This perception is not entirely new: Over 65 years ago, *The Economist* (1930:652) observed that the tension between a political system partitioned into “60 or 70” sovereign national states and a single, all-embracing world economy has been producing “a series of jolts, jars and smashes in the social life of humanity.”

Those “jolts, jars and smashes” now threaten our physical, as well as our social, well-being. There are any number of problems such as environmental degradation, terrorism, drugs, disease and corruption that are inherently transnational. They cannot be solved through unilateral national action and mandate a coordinated, cooperative international response.

While a postmodern analog of medieval Christendom may not be readily apparent, there are a number of suggestions for unifying and universal ideologies, such as liberalism, democracy, a belief in the power of technology or environmentalism. More importantly, as the 20th century draws to a close, there is increasing interest in stronger institutions at the center; institutions which are short of a real supranational authority but are not entirely consistent with a world of sovereign states.

Examples abound. The WTO is, at least on paper, a considerably strengthened version of

the GATT embodied in an international institution with real adjudication authority. There is increasing pressure for international cooperation and an international agreement on rules for the treatment of foreign direct investment in both the OECD and the WTO (See Sandholtz's discussion of the WTO in this volume). As noted above, efforts, or at least discussions, are underway to find some central international mechanism to deal with corruption in international business, and with worker rights. Most obviously, the E.U. exists as a supranational political organization, whether or not a federal Europe, monetary union and political integration are ever achieved.

Again, the point is not that we should expect a new Charlemagne or the moral equivalent of Western Christendom. The point is that the modern ideal of an anarchical system with sovereign states rejecting any superior or central authority may have been an ephemeral product of a specific historical period. The norm may be a recognition of the need for some degree of order, authority and, perhaps, glory at the center.

VIII. A NEO-MEDIEVAL FUTURE?

I believe that we are living through the end of one era and the onset of another; a systemic transformation from a modern to a postmodern political economy. It is a transformation comparable to that from the medieval to the modern era, which Ruggie (1983) has called the most important contextual change in international politics in this millennium.

The structural changes underlying this transformation, the dramatic increase in the scale and complexity of technology, the digitalization of finance and commerce and the emergence of an electronically networked world economy, are clearly revolutionary rather than evolutionary. In many important ways, they represent a clear break from the immediate modern past.

What can we learn from using medieval Europe as a metaphor to help us understand

postmodern possibilities? While I do not believe that nation states and the state system are about to wither away, I do think that there may well be very significant changes in their meaning, in their structure and in their function.

The primary argument of this essay is that many aspects of modern political and economic organization may be exceptional and ephemeral--at least when measured on historical time scales. Time's arrow may not be unidirectional. Change may not take the form of an evolutionary progression where each era is built upon the existing foundations or structures of its predecessor.

Mutually exclusive territoriality is not a transhistorical, fundamental principle of political organization. Political power and authority were not geographically defined in medieval Europe and may not be in a digitalized world economy organized through overlapping electronic networks. Discrete and meaningful borders and the clear separation of the domestic from the foreign, indeed the very idea of the international, may be a modern anomaly. Conceptions of space may again become symbolic and relational rather than geometric and physical.

Similarly, the corresponding concepts of unambiguous authority and loyalty may be harder to sustain in a postmodern world of multiple and overlapping authorities: sovereign and non-sovereign, territorial and non-territorial. Multiple and overlapping sources of political authority and multiple and ambiguous political loyalties may once again be seen as the norm.

Perhaps most importantly, the normative belief in anarchy; in the absence of authority at the center, may be crumbling in the face of problems such as crime, corruption, disease, environmental degradation, financial collapse and the like, all of which are well beyond the scope of national or even international action. Absolute territorial sovereignty has always been easier to imagine than to construct. In a postmodern, digitally integrated world economy, however, the idea itself may no longer be meaningful. Control over territory no longer provides a viable basis

for control over an economy or economic actors.

The question of what will replace territorial sovereignty, or perhaps more correctly be layered atop and complement it, is critical. At a minimum, effective economic governance in a digital world economy will require markedly increased efforts at harmonization of national legislation and regulations and much more effective and powerful international institutions.

The U.S. Government's 1997 "Framework for Electronic Commerce," (1997:3) for example, calls for governance by "consistent principles across state, national and international borders that leads to predictable results regardless of the jurisdiction in which a particular buyer or seller resides."¹⁰ Given the very sharp differences in basic beliefs and values, when one deals with issues such as privacy, encryption and consumer protection, it is clear that harmonization will have to go well beyond a simple reconciliation of national law. This is an area where the needs of technology will compromise national sovereignty; it is but one example of what Strange (1996) describes as a shift of political authority from states to markets.

Yet harmonization will not be sufficient. Although a world government does not appear to be immanent, there is increasing pressure for some sort of authority at the center, an authority which transcends the sovereignty-preserving idea of the international organization. Effective economic governance in the postmodern integrated world economy will require a marked strengthening of international institutions such as the WTO. They may well acquire taxation and enforcement powers if territorial jurisdiction is no longer effective.

At some point, harmonization of policy, the granting of adjudication rights and true enforcement capabilities at the center will result in a real supranational authority. Perhaps as important, the possibility certainly exists for a universal or unifying ideology, although one is not readily apparent. (Lake and Sandholtz take very different positions on the possibility of the

emergence of supranational or transnational rules and institutions – of some degree of centralization of authority – as a result of globalization in their respective chapters.)

In a widely commented-upon article, Kaplan (1994:72) used West Africa as a prism to view a future which evokes the dark ages after the barbarian invasions: disease, overpopulation, unprovoked crime, refugee migrations, the empowerment of private armies and security firms and international drug cartels, among other unpleasant possibilities. He clearly foresees the collapse of modernism, the nation state, borders and states' ability to maintain civil order within them. He views political postmodernism bleakly, as an epoch in which “the classificatory grid of nation states is going to be replaced by a jagged-glass pattern of city-states, shanty-states, nebulous and anarchic regionalisms...”

It is a very dark view of the future which clearly evokes the pre-modern, early medieval past. Rising crime and the privatization of security and security forces are a reality. As discussed above, walled suburban communities with very limited entry points and extensive private security forces are becoming far from unusual. There are many places in every urban area where security cannot be provided and where one ventures--even in an automobile--at one's own risk. Le Goff's (1988) description of medieval typography in terms of a collection of clearings surrounded by no-mans-land no longer sounds alien.

While I would hope that Kaplan is a pessimist, one is reminded of Trevor-Roper's (1993, 1933) question in his introduction to Gibbon. He asks whether a philosopher in imperial Rome would have foreseen that in a few hundred years the barbarians would triumph and the civilization of antiquity would disappear. Could anyone then have imagined the coming dark ages?

One hopes that such an age is not part of the neomedieval metaphor, that a new and more terrifying barbarian is not on the horizon. One hopes that the walled communities and private

security forces are themselves ephemeral products of a world in transition and not a permanent characteristic of the postmodern era. The challenge is to ensure that transnational and transterritorial solutions be found to the problems posed by the emergence of a postmodern, digital world economy.

BIBLIOGRAPHY

- Agnew, James. 1994. The Territory Trap: The Geographical Assumptions of International Relations Theory. *Review of International Political Economy* 1: 65.
- Agnew, James. 1994. Timeless Space and State-Centrism: The Geographical Assumptions of International Relations Theory. In *The Global Economy as Political Space*, edited by S.J. Rostow, N. Inayatullah and M. Rupert. Boulder: Lynne Reiner Publishers.
- Anderson, James. 1996. The Shifting Stage of Politics: New Medieval and Postmodern Territorialities? *Environment and Planning D: Society and Space* 14: 133-153.
- Appadurai, Aujun. 1996. *Modernity at Large*. Minneapolis: University of Minnesota Press.
- Boorstin, Daniel J. 1983. *The Discoverers*. New York: Random House.
- Bull, Hedley. 1977. *The Anarchical Society: A Study of Order in World Politics*. New York: Columbia University Press.
- Business Week*. 1996. February 26, 1996: 113.
- Camilleri, Joseph A., Anthony P. Jarvis and Albert J. Paloni (eds). 1995. *The State in Transition: Reimagining Political Space*. Boulder, CO: Lynn Reiner Publishers.
- Carr, Edward Hallett. 1964, 1946. *The Twenty Years' Crisis, 1919-1939*. New York: Harper and Row Publishers.
- Cerney, Philip G. 1995. Globalization and the Changing Logic of Collective Action. *International Organization* 49 (Autumn): 607.
- Cole, George. 1996. Censorship in Cyberspace. *Financial Times* (March): 8.
- Dicken, Peter. 1994. The Roepke Lecture in Economic Geography. Global Local Tensions: Firms and States in the Global Space-Economy. *Economic Geography* 70: 101-120.
- Duby, Georges. 1985. *William Marshall: The Flower of Chivalry*. New York: Pantheon Books.
- Eagen, Timothy. 1995. The Serene Fortress. *New York Times* (November 30): A1.
- The Economist*. 1930. October 11: 652.
- "A Framework for Global Electronic Commerce." 1997. Washington, D.C. (<http://www.whitehouse.gov/WH/New/Commerce/read.html>): 3
- Glynn , Patrick, Stephen Kobrin and Moises Naim. 1997. The Globalization of Corruption. In *Corruption and the Global Economy*, edited by Kimberly Ann Elliston, 7-27. Washington: Institute for International Economics.
- Graham, George. 1997. Top Banks Approve Settlement Service. *The Financial Times* (June 27): 6.
- Gottlieb, Gideon. 1993. *Nation Against State*. New York: Council on Foreign Relations Press.
- Guehenno, Jean-Marie. 1995. *The End of the Nation State*. Minneapolis: University of Minnesota Press.

- Hague, Helen. 1996. Film Maker Aims to Kill the Law of Blasphemy. *Sunday Telegraph* (March 10): 11.
- Harvey, David. 1990. *The Condition of Postmodernity*. Cambridge, MA: Blackwell Publishers.
- Held, D. and A. McGrew. 1993. Globalization and the Liberal Democratic State. *Government and Opposition* 28: 265.
- Hirst, Paul and Grahame Thompson. 1995. Globalization and the Future of the Nation-State. *Economy and Society* 24 no. 3: 408-442.
- Hobsbawm, Eric J. 1990. *Nations and Nationalism Since 1780*. Cambridge: Cambridge University Press.
- Jarvis, Anthony P. and Albert J. Paloni. 1995. Locating the State. In *The State of Transition: Reimaging Political Space*, edited by Joseph A. Camilleri, Anthony P. Jarvis and Albert J. Paloni,. Boulder, CO: Lynn Reiner Publishers.
- The Independent*. 1995. "Private Lives". (June 11): 14.
- Kaplan, Robert. 1994. The Coming Anarchy. *The Atlantic Monthly* (February): 44.
- Kennedy, Paul. 1993. *Preparing for the Twenty-First Century*. New York: Random House.
- Keohane, Robert O. and Joseph S. Nye. 1971. Transnational Relations and World Politics: An Introduction. In *Transnational Relations and World Politics*, edited by Robert Keohane and Joseph S. Nye, xi. Cambridge: Harvard University Press.
- Kobrin, Stephen J. 1997. The Architecture of Globalization: State Sovereignty in a Networked Global Economy. In *Governments, Globalization and International Business*, edited by John H. Dunning, 146-171. Oxford: Oxford University Press.
- Kobrin, Stephen J. 1998. You Can't Declare Cyberspace National Territory: Economic Policy Making in the Digital Age. In *Blueprint to the Digital Economy*, edited by Alex Lowry, Don Tapscott and David Ticoll, Chapter 19. New York: McGraw Hill.
- Kobrin, Stephen J. 1998a. The MAI and the Clash of Globalization. *Foreign Policy* (Fall): 110-122.
- Krasner, Stephen D. 1993. Westphalia and All That. In *Ideas and Foreign Policy*, edited by Judith Goldstein and Robert O. Keohane, Ithaca: Cornell University Press: 235-264.
- Lansdon, Doug and Sue Halpern. 1995. When Neighborhoods are Privatized. *New York Times* (November 30): A39.
- Lapham, Lewis H. 1988. Leviathan in Trouble. *Harper's Magazine* (September): 10.
- Le Goff, Jacques. 1988. *Medieval Civilization 400-1500*. London: Basil Blackwell.
- Lipschutz, Ronnie. 1992. Reconstructing World Politics: The Emergence of Global Civil Society. *Millenium* 21, no. 3: 389-420.
- Maier, Charles S. 1994. "Democracy and its Discontents," *Foreign Affairs*, 73, no. 4 : 48-64
- Matthews, Richard. 1995. "Back to the Dark Age: World Politics in the Late Twentieth Century," Washington, D.C., School of Foreign Service.

- Negroponte, Nicholas. 1995. *Being Digital*. New York: Knopf.
- Nicolson, Mark. 1996. India Emerges as a World Centre for Software. *Financial Times* (July 7): 4.
- North, Douglass C. 1981. *Structure and Change in Economic History*. New York: W.W. Norton.
- North, Douglass C. and R. P. Thomas. 1973. *The Rise of the Western World: A New Economic History*. Cambridge: Cambridge University Press.
- Parker, M. 1992. Post-Modern Organizations or Post Modern Theory? *Organization Studies* 13: 9.
- Previte-Orton, C.W. 1971. *The Shorter Cambridge Medieval History*. Cambridge: Cambridge University Press.
- Reich, Robert. 1990. Who is US. *The Harvard Business Review* (January-February): 53-64.
- Rosenau, James. 1990. *Turbulence in World Politics*. Princeton: Princeton University Press.
- Ruggie, John Gerald. 1983. Continuity and Transformation in World Politics: Toward a Neorealistic Synthesis. *World Politics* XXXV, no. 2: 274.
- Ruggie, John. 1993. Territoriality and Beyond: Problematising Modernity in International Relations. *International Organization* 47: 151.
- Department of the Treasury. 1996. "Selected Tax Policy Implications of Electronic Commerce." Washington, D.C. November. (<http://jya.com/taxpolicy.htm>)
- Spiro, Peter J. 1995. New Global Communities: Nongovernmental Organizations in International Decision Making Institutions. *The Washington Quarterly* 8 no. 1: 46.
- Spruyt, Hendrik. 1994. *The Sovereign State and Its Competitors*. Princeton: Princeton University Press.
- Stewart, T.A. 1995. A New 500 for the New Economy. *Fortune* (May 15): 168-178.
- Strange, Susan. 1996. *The Retreat of the State: The Diffusion of Power in the World Economy*. Cambridge: Cambridge University Press.
- Strayer, Joseph R. 1970. *On the Medieval Origins of the Modern State*. Princeton: Princeton University Press.
- Taylor, Paul. 1996. Exports are Surging Ahead. *Financial Times*, Survey: India's Software Industry (November 6): I.
- Tesche, Bruno. 1998. Geopolitical Relations in the Middle Ages: History and Theory. *International Organization* 52/20 (Spring): 325-358.
- Tining, William. 1995. Greenpeace Victory as Brent Spar Heads for Shore. *The Glasgow Herald* (June 21): 1.
- Trevor-Roper, Hugh. 1993. Introduction. In Edward Gibbon, *The Decline and Fall of the Roman Empire* v. 1. New York: Alfred A. Knopf – Everyman's Library, 1933. lxxxiii.
- Wagstyl, Stefan. 1997. Mergers a la Mode. *The Financial Times* (October 14): 17.

NOTES

¹ Negroponte (1995) argues that trade in atoms is being replaced by trade in bits. In 1995 *Fortune* combined the Service and Industrial 500s, arguing that the central role played by information technology has virtually obliterated the difference between industrial and service firms. *Fortune* cites one source claiming that three-fourths of the value added in manufacturing is now information. See. Stewart (1995).

² Ruggie (1993:151) notes that “..the distinctive feature of the modern state system is that it has differentiated its subject collectivity into territorially defined, fixed and mutually exclusive enclaves of legitimate domain.”

³ Formal sovereignty is a legal concept which entails the Weberian concept of ultimate law making and law enforcing authority within a clearly defined territory: the absence of competing domestic claimants and independence from external authority – e.g., emperor or pope. The “undisputed right to determine the framework of rules, regulations and policies within a given territory and to govern accordingly.” (Held and McGrew 1993: 265). Spruyt (1994) argues that one of the primary explanations for the spread of sovereign territorial institutions was that respective jurisdictions, and thus limits to authority, could be specified precisely through agreement on fixed borders.

⁴ Carr, 1964.; Kennedy 1993; Ruggie, 1993.

⁵ The word “geography” did not enter the English language until the sixteenth century. The useful, and surprisingly accurate images created by ancient geographers were suppressed for one thousand years during what Boorstin calls the “great interruption” in European geographic knowledge (Boorstin 1983).

⁶ The sector has grown dramatically, from a total turnover of \$10 million in 1986 to \$1.2 billion in 1996; the estimate for the compound growth rate for the first half of the 1990s was 46% per annum. The industry is export driven; exports – primarily of software services – have grown at over 60% per annum in recent years rising to \$734 million in 1996, about 61% of total turnover.⁶ (Taylor 1996:I and Nicholson 1996:4).

⁷ There were \$280 billion of European mergers and acquisitions in 1996 and \$253 in 1995 versus a previous peak of \$148 billion in the 1980s (Wagstyl 1997: 17).

⁸ For more discussion of the impact of electronic commerce on territoriality see Kobrin (1998).

⁹ It is an overgeneralization to argue that geographic location has been the sole source of political loyalty. Socialists in the late 19th and early 20th century certainly called for a transnational working class identity that would transcend loyalty to nation or state; a concept blown asunder by the enthusiasm the proletariat in virtually every European country showed for mobilization in 1914. More recently, the phenomenon of identity politics has emerged – perhaps as a consequence of post-modern fragmentation – with “political” identity a function of ethnicity, gender, race or sexual preference. My concern here, however, is with competing transnational political identities replacing unambiguous loyalty based on geography..

¹⁰ “A Framework for Global Electronic Commerce,” Washington, D.C. 1997.
(<http://www.whitehouse.gov/WH/New/Commerce/read.html>) p.3.