

Sectoral Specialization: Politics and the Nation-State in a Global Economy

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Independent political organization is as indispensable as ever for territorially based social communities as they become integrated in a global economy. Now as in the past, individuals and their communities cannot afford to put their economic fate at the mercy of self-regulating markets, or of markets regulated merely by politically sterilized independent central banks, competition authorities or international courts.

Today national states everywhere are busy dismantling the protective institutions of the postwar compromise. In this they respond to a growing gap, caused partly but not exclusively by global competitive pressures, between expanding social entitlements and shrinking resources available for redistribution. But neither does this involve a dismantling of national politics as such, nor does it imply its being cut back to enforcing neo-liberal economic constitutionalism.

In fact, in the midst of apparently inexorable economic and political liberalization, citizen expectations drive attempts by political elites to recalibrate the machinery of the nation-state to provide historically new forms of reassurance against the vagaries of what is now definitely a global market. Especially small European countries have begun to embark of national pathways of economic and institutional reform that, for all their differences, appear recognizably similar. They include strategic selection of lead sectors, high infrastructural investment to achieve and defend comparative advantage for these, tailoring national institutions closely to core sectoral needs, redefining social policy as investment in human capital, moving from status-securing to activating labor market policies, and containing rising inequality of outcomes by promoting equal opportunity and a, relatively low, floor under the labor market. Domestic restructuring is typically accompanied by a foreign policy that seeks

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guaranteed access to world markets, under an international division of labor in which national economies rely on national politics to specialize on a small number of sectors in which they hope to excel.

Although strategies of this sort – which one may refer to as “sectoral specialization” – have been quite successful for some time, there are questions as to their generalizability as well as their internal coherence. Indications are that they may be difficult to adopt for larger countries. Nor is it clear to what extent their viability depends on the continued presence of a welfare state legacy that they consume without being able to replenish it. Moreover, national economic policies were unable in the aggregate during the 1920s to govern an already integrated world economy, and it was only after 1945 that the nation-state became part of an international order that enabled it effectively to act as an insurer of last resort against economic risk. Renewed national re-embedding of the capitalist economy will thus likely require a renewed nonliberal, or not-merely-liberal, international system taking the place of the Bretton Woods order of the postwar period.

Re-empowering national politics in a reconstructed international context is a precarious undertaking. As a political program it is likely to meet with strong resistance, both from organized labor defending its postwar achievements, and from radical liberals opposing on principle the use of politics as a brake on the unimpeded operation of free markets. It will also be resisted by progressive internationalists intent on relegating the nation-state to the graveyard of history, not realizing that in practice the pursuit of de-nationalized global governance plays in the hands of those promoting the social disembedding of the economy.