Theorizing State Borders: 'Politics/Economics' and Democracy in Capitalism

James Anderson
School of Geography and Centre for International Borders Research
Queen’s University Belfast
j.anderson@qub.ac.uk

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Abstract
State borders display great variability, uniqueness and susceptibility to sudden arbitrary changes, and theorizing inductively from particular cases is therefore difficult. Deduction is a promising alternative in helping to make sense of the rich historical and geographical detail revealed by empirical research. This working paper takes a deductive approach focusing on issues of democracy and the separation/integration of 'politics' and 'economics' in the development of the world economy and states system. The separation/integration is a central issue in the functioning of capitalism, underpinning related distinctions such as that between 'state' and 'civil society'. It is arguably a pre-condition both of territorial sovereignty and economic globalisation and their continuing, contradictory co-existence, and it has particular salience for understanding borders and border-crossing processes. 'Politics/economics' form a 'contradictory unity' whose contradictions surface in opportunistic arbitrage economics and democratic deficits at state borders. However, to maximise its conceptual usefulness, the separation/integration has to be reformulated more precisely as the exclusion of democracy from the realm of economic production whether in the private- or state-owned sectors. Democracy tends to stop both at the gates of workplaces and the borders of states. The paper argues that this recasting of the 'contradictory unity' provides a fruitful starting point for theorizing borders.

I. Introduction - theorizing borders and border regions
The need and possibility of constructing a general theoretical framework for understanding state borders is highlighted by contemporary 'globalization' and the vision of a 'borderless world' (Ohmae 1991). While this neo-liberal ideology misleadingly exaggerates recent developments, and is directly contradicted by trends towards 'Fortress Europe', it does point to a general though selective 'lowering' of borders as barriers, and their increasing permeability to flows of capital, commodities, information and people, or at least some people. Borders and their adjacent regions constitute gateways and opportunities as well as barriers; state controls over entry and exit seem to be under growing pressure; and social, communal and economic boundaries seem to be increasingly de-linked from territorial borders.
These changes in the significance and often contradictory meanings of borders (Anderson and O'Dowd 1999a) call for some general theorization which goes beyond, and would help explain, the often fascinating detail of particular borders at particular times (see for example, Wilson and Donnan 1998). More specifically, the contemporary acceleration of 'globalization' (and the popularity of this new term for an old phenomenon) suggests that the historical periodization of global economic and political developments is a fruitful route to theorizing borders. Changes in the nature of borders may be explained in terms of different historical phases in the shaping of states and territoriality, the internal relations of states and societies and their external interrelationships in the wider system of states. For example, state borders were relatively 'open' in the era of imperialism before World War I; then relatively 'closed' with the growth of 'national' economic 'self-sufficiency' and a closer identification of the state and capital, particularly in the inter-war period; and subsequently there was a progressive '(re-)opening' of borders, and this has become especially marked with the growth of transnationalism or intensified globalization from the 1970s (Anderson and O'Dowd 1999b).

Other fruitful and complementary routes to theorizing borders include focusing on cultural and political identities in border areas (Donnan and Wilson 1999); and on nationalism's ideal of the 'nation-state' where the borders of state and nation supposedly coincide, their frequent lack of congruence in practice, and the conflicts which result (Anderson and Hamilton 1999). An adequate theory of borders would ultimately need to integrate these various routes, but this paper concentrates on a 'political economy' approach which builds on the periodisation of global developments.

Theorization can be taken further by complementing the inductive identification of broad historical patterns with a deductive approach which focuses more directly on the selective permeability of state borders, their
differential 'filtering' effects, and the changing nature of state territoriality. 'Filtering' varies systematically for different types of activity as well as varying across time and space, and the differences can be posed in a number of inter-related or overlapping ways. Thus, contemporary globalization involves a differential 'internationalisation' of state functions with some departments of government (e.g., finance, trade or industry) much more involved in transnational regulation, while others (e.g., social welfare or education) remain more confined within national terms of reference. Further distinctions can be made between activities of 'state' and those of 'civil society', or between 'public' and 'private' spheres. Neo-liberals favour the latter over the former in their world-wide vogue for 'privatisation' since the 1980s and their related 'borderless world' aspirations whose logical outcome would be a single world state. There is also the contrast between, on the one hand, the economic globalization of capital and transnational production processes, and on the other hand, the raising of barriers to labour migration and the mobilization of nationalistic and racist hostility to immigrants and refugees, as implied for instance in 'Fortress Europe'. And while economic production has become significantly more transnationalised since the 1970s, political democracy lags behind, still largely confined within national state borders. Indeed economic transnationalization can be seen in part as an escape from democratic controls and particularly from the attempts by a radicalised '1968 generation' of cadre in some Western states to democratise economic production within the state framework (see van der Pijl 2001).

These various dichotomies, contrasts and contradictions suggest that it is worthwhile investigating distinctions and relationships between the sphere of production and the spheres of the reproduction of labour and the wider cultural, ideological and political reproduction of the social relations of production.¹
'Politics/Economics' - a contradictory unity

The various dichotomies build on, though also qualify, the more basic distinction between 'economics' and 'politics' whose separation/integration constitutes a 'contradictory unity' which is specific to capitalism (Amin 1996). How this 'politics/economics' relationship is (re)formulated is a key theoretical issue, and in practice the relationship is continually contested by capital and labour with important consequences for questions of economic growth and democratic governance. But at the simplest level, it involves the separation of a 'public sphere' of 'politics' and the state, which is territorially delimited, from a 'private' sphere of economic production, distribution and exchange which straddles state borders. It relates directly to the differential permeability of borders, and while it takes on particular resonances in border regions it has a deeper territorial significance. Rosenberg (1994), following Wood (1995), makes the insightful argument that 'the separation of the economic and the political in capitalism' became a structural necessity both for territorially delimited political sovereignty (untrammelled by 'economics'), and for the globalisation of economic production (unconfined by territorial 'politics' and state borders). The separation gave plausibility to claims of absolute state sovereignty by excluding a 'private' sphere of 'economics' which was allegedly 'non-political' and over which supposedly 'absolute' sovereignty did not have to apply. Conversely, the separation also facilitated transnational economic expansion by separating it from direct political control in the 'public' sphere of the state. As we shall see, the general historical tendency, albeit with some counter-movements, has been for transnationalism to depend less and less on formal empires and increasingly to involve looser, more informal modes of imperialism or non-hierarchical cross-border relations.

Such theorising is interesting from several viewpoints. Seen positively, it fits at a common-sense empirical level with distinctly different economic and political attitudes to borders and cross-border co-operation. In Ireland, for
instance, competitiveness in the Single European Market is the main economic motivation for cross-border development and a 'Single Island Economy'; Northern Ireland unionists, take a firmly 'realist' political stance on international relations and an absolutist view of their British sovereignty, but now give qualified acceptance to cross-border economic co-operation with the Republic of Ireland while rejecting anything smacking of political unification; while those who see the national conflict over Northern Ireland's territorial sovereignty as a negative-sum game have distinctly political motivations for supporting the 'compromise' of cross-border political institutions as envisaged in the 1998 Good Friday Agreement, or a broader democratising of North-South relations (Anderson and Goodman 1998). More generally, the 'economic/politics' separation fits with the idea that borders give rise to a 'political' or 'democratic deficit' in border regions, and the usually separate argument that these regions often suffer an 'economic deficit' in terms of 'peripherality' and/or the divisive, barrier effects of borders on 'normal' economic life.

At a broader theoretical level, the capitalist separation of 'economics' and 'politics' might be taken to imply that a multiplicity of territorially delimited states and hence the borders between them are a necessary or inevitable consequence of capitalism. If this were so, the 'borderless world' and hence single 'world state' implicit but not directly advocated or theorised in this neo-liberal ideology, would be a logical impossibility. The fashionable notion that territorial sovereignty is an anachronistic and outmoded concept, and the related belief that 'globalization' is leading inexorably to 'one world', would be categorically denied. However, we can question whether there is any causal imperative in the 'economics/politics' separation necessarily leading to a multiplicity of territorially divided sovereignties, as distinct from allowing them in particular historical circumstances, circumstances which are subject to change especially with 'globalization' (Lacher 2000). On the other hand, there
are other historical and structural reasons relating to capitalism's competitive and uneven geographical development which suggest that a single state 'borderless world' is highly unlikely, and that territorial sovereignty and borders, although currently experiencing profound changes, are far from being outmoded. Given this openness of possible outcomes, it becomes questionable whether the increased separation of 'economics' from 'politics' as currently evidenced in the neo-liberal fashion for privatisation and de-regulation is structurally necessary for contemporary 'globalisation'. While historically the emergence and transnational expansion of capital across borders did in some senses depend on such a separation, does such a dependence continue now that the global system is established? Is the private sphere at a global level necessarily beyond the reach of public accountability and democracy, given that these are still substantially delimited by state borders? Is civil society inherently border-bound or can there be a transnational 'civil society' in the absence of a transnational 'world state' (see Hirsch 2001)?

To begin to answer such questions, the 'economics/politics' separation and its relationship to the differential permeability of borders have to be reformulated. Seen negatively, it is overly schematic and fits an 'ideal world' of liberal or neo-liberal ideology more than capitalist reality. Just as the latter finds political expression in different types of state, so too can it find expression in a variety of inter- or trans-national systems. As Barker (1997) points out in a sympathetic critique of Wood's formulation, the fact that 'economics' and 'politics' can be separated in capitalism, does not mean they always are separated, or separated to the same extent, and in state enterprises they are effectively merged.

In practice economic and political motivations and 'deficits' need to be addressed together, the Ireland case arguably demonstrates that both economic and political success depend on integrating these different concerns (Anderson
and Hamilton 1999). In this paper it is argued that the key to reformulating their 'contradictory unity' lies in the limited nature of conventional representative democracy which is almost entirely confined to the state territory and its 'public' sphere of 'politics'; and the exclusion of even this limited democracy from cross-border contexts, and particularly from the supposedly 'non-political' sphere of economic production, whether 'privately' or 'publicly' owned.

These limitations and exclusions have heightened relevance at borders. Here the inherently transnational expansionism of capitalist economies comes up against the conventional territorial delimitation of 'political community' and representative democracy in national states. This disjuncture of 'economics' and 'politics' directly impinges on border regions and cross-border development; and what happens at borders can shed light on the wider implications of their separation/integration.

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

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

However, 'politics' do not simply 'stop' at borders, nor do 'economics' simply 'speed through'. Political processes as various as imperialism and intergovernmentalism, or the participatory democracy of transnational 'social movements' (Goodman 2001), are clearly border-crossing. Indeed contemporary globalisation has been accompanied by a substantial increase in transnational forms of governance (see Held et al, 1999). Rather, it is formal
state sovereignty and representative democracy which 'stop' at borders, and this has the consequence that accountability and governance (despite its increase) are generally weaker and less democratic in transnational contexts than within state borders (see McGrew 2001; Hirsch 2001). In more localised cross-border contexts or border regions, the 'political deficit' results from the border truncating democracy and arbitrarily dividing what might otherwise constitute functioning political communities with their own distinct interests and concerns.

'Political deficits' feed directly into 'economic deficits' if we accept the general 'new regionalist' argument that institutional 'embeddedness' and networks of trust are major pre-requisites of regional development (A. Amin 1999). Despite the limitations of 'new regionalism' (Lovering 1999), it may have particular relevance for border and cross-border regions precisely because borders are major disrupters of 'embeddedness' and 'trust', with institutional mismatching and information blockage typical features. State borders also have a wide variety of specifically economic effects, positive and negative, and perhaps particularly negative. Some economic processes may be arbitrarily 'stopped in their tracks' at the border, as seen most dramatically at present in the reproduction of labour, the political division of labour markets and the selective barriers to labour migration. Even where borders as 'gateways' between separate polities are seen as a source of positive economic opportunities, their consequences at a deeper level are arguably negative. Borders tend to generate short-term, opportunistic and more questionable ' arbitrage' activities, ranging from trading on tax and price differences to smuggling and associated forms of crime, including the smuggling trade in 'illegal immigrants'.

Here Altvater's (1998) analysis of the weaknesses of post-Soviet economies in terms of a preponderance of ' arbitrage' as distinct from 'production' or
'extraction' activities may be adapted for border contexts. While the separateness of his three 'ideal types' of economy can be questioned, especially where 'arbitrage' is directly implicated in the sphere of production (rather than being confined to trade which it often is), the concept of 'border arbitrage' does seem to point to endemic weaknesses in the economies of border regions. It suggests that these are deep-seated weaknesses despite the fact that they stem from what are generally seen positively as 'opportunities' by the participants (and understandably so, particularly if their area has few other economic advantages).

Of course, the economic and political 'deficits' associated with a territorially divided system of states are not confined to border regions - for example, the 'arbitrage' of large-scale financial speculation on different interest and currency exchange rates is state-wide, indeed world-wide, in its operations and effects. But we need to distinguish more localised border-crossing processes and 'border arbitrage' which has different characteristics from state-wide arbitrage such as currency speculation. Whereas the latter for instance typically involves 'big capital' and large financial institutions, the former is usually dominated by 'small capital' and is more likely to include smuggling and related illegalities. The immediate border linkages and effects tend to be more pervasive and intense in border communities, and for this reason border regions may be particularly revealing of wider processes.

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

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

The structural and historical roots of this argument in the 'politics/economics' relationship or 'contradictory unity', and tentative answers to some of the questions already raised, are fleshed out in the rest of the paper. It moves from more abstract to more concrete levels of analysis, discussing first the
'contradictory unity' as a uniquely capitalist phenomenon dependent on the capitalist mode of production (section II), and then its connections with state sovereignty and territoriality which use borders as a means of control (section III). An outline sketch of some of the historical changes in the 'contradictory unity' (section IV), in the context of capitalism's uneven development, provides a basis for discussing its contemporary nature in 'actually existing capitalism' and speculating on the future implications for borders (section V). Politically, this is a useful starting point for discussing how relationships between states and civil societies might be reconstituted to enhance governance, efficiency and democracy in cross-border processes. Hopefully the ideographic preoccupations evidenced in many border studies can be complemented by a more theoretically-informed approach to borders and border regions.

II. 'Politics/Economics' and the Capitalist Mode of Production

The separation of 'economics' and 'politics' is structural to capitalism and is institutionalised in separate arenas, rather than being simply ideological. But the division is ideological as well, as is evidenced, for example, in economic deterministic notions that global market forces are impervious to state politics, and more generally in a failure to appreciate the highly problematical and only partial nature of the 'separation'. The conventional dichotomy has to be reformulated before discussing the implications of 'politics/economics' for territorial sovereignty, borders and the historical trajectory of capitalist globalization.

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

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

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

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

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

This general argument applies to the capitalist mode of production in the abstract, and is approximated in the dominant liberal capitalist democracies. Surplus is mainly extracted in the ‘private’ sphere by ‘economic’ means; and decisions on resource allocation and what/what not to produce are mainly based on private profit criteria, rather than involving the ‘public’ sphere of politics and the state, much less collective democratic choice. However, the
concrete reality of 'actually existing capitalism' is more varied and complex; the 'private/public' and 'economic/political' distinctions are in actuality less clear-cut; and these pairings do not 'map' so neatly onto each other as might be concluded from the argument thus far.

**Capital and state**

Modern states do not only ensure the necessary political and legal conditions for 'private' capital accumulation. Despite or contrary to neo-liberal anti-state propaganda, they generally combine these 'purely political' functions with substantial direct involvement in the 'economic' sphere. This is most obvious in state-ownership and 'nationalised' industries, but occurs more generally and to widely varying degrees through state regulation, the subsidisation of economic activity, and the provision of physical, economic and social 'infrastructure' (roads, transport, education, health care, etc.), all of which are necessary for capitalist competitiveness. States are heavily involved in 'market substitution' via state-run enterprises and in 'market regulation'; the latter has become more prominent in recent decades at the expense of the former; but at the same time states themselves have become more competitive economically with each other and more involved in imposing the competitive discipline of capital on other institutions and society in general (van der Pijl 2001)

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

> Competition leads to opposition between states as much as between enterprises because capitalism is inseparable from the modern state; they have become inseparable through simultaneous development, and they control together the structures of accumulation. (Amin 1996: 247)
These added complexities, however, strengthen rather than weaken the basic argument about the 'contradictory unity' of 'politics/economics', but their separation/integration has to be further reformulated.

Taking the world capitalist system as a whole, 'private' accumulation dominates, and even more so than formerly with the demise of the USSR and the global fashion for privatising state enterprises. Moreover, in this predominantly 'private' system of accumulation, state-owned enterprises, whether in countries such as Britain or in centrally-planned economies, generally operate very much like privately-owned firms in so far as there is little or no worker democracy and an absence of genuinely democratic decision-making over what or what not to produce. Indeed, the acceptance of nationalised industries by private capitalist interests in, for example, Britain was largely predicated on them behaving in a profit-seeking way - that is conforming to the dominant 'political/economic' relationship and behaving as purely 'economic' rather than 'political' actors, despite being substantially funded by the taxpayer.5

Thus the 'economic' sphere is not necessarily 'private', but it is separated off from the public sphere of 'politics', and its internal politics are different in that democracy is excluded from the realm of production whether private- or state-owned. The reformulation of 'politics/economics' has to take account of state/economy linkages and state capitalist production - largely ignored by Wood, and by Rosenberg in applying her formulation to the system of states. The reformulation focuses on democracy rather than 'politics' in general. The separation is really the exclusion, not of 'politics' or the state, but of democracy from economic production. It is democracy rather than politics which stops at the workplace door; and it is usually democracy and formal sovereignty, rather than state power or politics in general, which stop at borders.
III. 'Politics/economics', sovereignty and territoriality

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

Rosenberg argues that state sovereignty has depended on the separation of 'the state-political sphere' from production in civil society; while conversely, the global expansion of capital across borders - 'the empire of civil society' - has depended on the separation of the private sphere from the public sphere of sovereign independent states:

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

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

The formal equality of ‘free’ individuals in capitalist democracy has its international counterpart in the sovereign equality of states, and both only make sense in ‘purely political’ terms with ‘economics’ excluded. The global development of ‘free’ labour and of ‘free’ states are indeed opposite sides of the same coin, both dependent on the ‘politics/economics’ divide. The transnational global economy and the system of sovereign national states have common origins and are structurally interdependent. ‘Purely political’ sovereignty in the states system rests on economic power in the world market, from which it is partially separated; and power in the world market is dependent on coercive political power in the system of states. As at the more abstract level of the capitalist mode of production, there is not a simple dichotomy between a 'global economy' and a 'states-system' but rather a ‘contradictory unity’ (Rosenberg 1994: 87-8).

**Territoriality**

Global capitalism, however, does not require a particular or fixed number of states, nor can any configuration of state borders be logically deduced from the nature of capital. But in contemporary global capitalism, unlike the abstract mode of production, the conflicting classes and competing capitalists are geographically uneven and divided into different national states. What the ‘politics/economics’ differentiation means for economic development therefore ties in closely with the nature of political territoriality and its
implications at borders. National states are the prime users of territorality in the modern world and given its ubiquity and usefulness as a form of control they are highly unlikely to let it ‘wither away’. But territorality’s strengths are also obstacles to cross-border or transnational development.

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

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

IV. Capitalism's development and 'politics/economics' in time-space

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

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

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

State territoriality and economic development
This helps to explain major changes in the prevalent types of state which
accompanied the development of modern capitalism. Its emergence was made
possible by the relative freedom, flexibility and competitiveness resulting from
the 'parcellisation' of sovereignty in European feudalism (Merrington 1978):
political authority was geographically divided between 'town' and 'country' as
well as between a myriad of states and statelets (in contrast, for instance, to the
technically more advanced but highly centralised, socially conservative and
effectively restrictive single empire of China). But when the principle of territorial state sovereignty was re-invented in the absolutist states of 16th century Europe, the initial attempts to assert it were literally ‘absolute’ and (to modern eyes) bizarrely all-encompassing. Exceptional spatial arrangements, such as the ‘extra-territoriality’ of foreign embassy compounds and international trade fairs, had to be instituted to stop the principle totally blocking international communication and commerce. However, the main way in which the principle of ‘absolute’ state sovereignty was rendered practical was not by a spatial strategy of ‘exceptional territories’, but through the differentiation of a separate sphere of civil society where the principle did not apply, or at least not with the same force or comprehensiveness.

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

However, the recent historical tendency for hegemonic states to rely more on economic power and less on direct political domination externally is not the whole story, nor is it as linear or straightforward as suggested. Counter-balancing it, there has been a tendency for these states to directly control a larger bounded territory as the 'home base' for the internal generation of wealth, and for becoming militarily more powerful. Thus Giovanni Arrighi (1996: 216-7), in focusing on states which were the hegemonic agencies in successive regimes of capital accumulation, notes that 16th century Genoa was a mere city state, and the 17th century Dutch United Provinces were a hybrid between city state and national state, whereas the 19th century United Kingdom was a full national state with a world empire, while the current hegemon, the USA, is a continental superpower. But Genoa's basis for accumulation was external to its own political borders and was closely linked to the Spanish empire which bore the costs of direct political rule. Genoese hegemony was superseded by the Dutch whose state ceded state-like powers to their giant trading companies (e.g., the Dutch East India Company) and amassed wealth from the territories which they controlled, and by more directly controlling and monopolising the associated shipping routes which channelled trade through Amsterdam. The Dutch were succeeded by Britain whose accumulation of wealth also involved the political monopolisation of shipping routes but was by comparison even more dependent on direct territorial rule - more internal to its own political borders - in the form of the
British Empire (though as already mentioned, the British also had a significant 'informal empire'). In contrast, today's US hegemony has mainly been based on an 'informal empire' and a more thorough-going reversion to cheaper accumulation beyond its own borders. On the other hand, its power springs from directly controlling a much larger 'home base' - a bounded territory of continental scale - and furthermore it has extended this 'home base' by incorporating Canada and Mexico in NAFTA. The historical story of capital accumulation and bounded territory would have to be extended to take account of the contemporary re-territorialisation in economic blocs like NAFTA and the European Union. That is beyond the scope of this paper, but these issues of territoriality and the control of territory - whether 'direct internal', 'ceded', or 'indirect external' - and (the partial alternative?) controlling movement and trade between territories, should prove fruitful in theorizing borders.

It is already clear that, in going beyond abstract, non-spatial 'modes of production', territorial states and related territorial entities have been and continue to be part and parcel of concrete capitalist development, contrary to the conception of a duality of separate political and economic systems. The bordered system of sovereign states has been a constitutive element in the ‘politics/economics’ relationship, rather than some ‘independent’ or merely contingent phenomenon which is simply affected by it. Once both were instituted, ‘politics/economics’ has interacted with state borders in a wide variety of ways, but despite significant reverse movements (as with the general raising of state borders as barriers in the inter-war period), the dominant tendency has been towards lessening the effects of territoriality and furthering cross-border, transnational or global developments. Civil society has at least partly escaped the caging of territoriality. Constituting capitalist relations of surplus extraction as ‘non-political’ in a separate ‘private’ sphere of ‘economics’ encouraged their increasing extension beyond the borders of a given state, and allowed the exploitation of productive labour under the
supportive ‘political’ sphere of other, foreign states. Political control continued to extend across borders but now it did so mainly in a ‘non-political economic’ sphere - 'this extension of command assum[ing] a different form as a result of the disaggregation of political functions between public and private spheres...' (Rosenberg 1994: 172). Directly ‘political’ control in the conventional sense of political or military intervention could be used simply as a threat or an action of last resort, though agencies of transnational governance such as the World Bank, the IMF and the WTO, largely directed by the hegemonic USA, have become more important.

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

However, while the conflictual capital-labour relationship makes state control in the 'public political' sphere essential, there is nothing in this particular logic to necessitate a multiplicity of states: a single world state seems theoretically possible. Given the contradictory nature of territorial borders, a single-state 'borderless world' might indeed seem functionally desirable for capital, as neoliberal ideology implies. But to see a 'borderless world' as a practical possibility, or at all likely on this basis, is to mistake an abstract, non-spatial mode of production for concrete reality. It is to see capitalism as an undifferentiated global system disembodied from time and space. Moreover, while a functionalist reading seems plausible - after all, border contradictions cause problems for capital and a key objective of macro-regions like the EU is to minimise internal borders - these very contradictions make a 'borderless world' less likely. As we have seen, borders are key mechanisms of state control, not least physical controls over labour migration and their nationalistic ideological spin-offs (Heyman 1999), and here the contradictions are actually on the increase.

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

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

**Within and across borders**

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

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

However, the current dominance of 'transnational capitalism' does not mean that the other, 'state capitalism', tendency with its border-closing propensities
has disappeared, or that capitalist production which spreads into ‘alien jurisdictions’ does not depend on their help. It clearly does, and not only in the important sense that its ‘private economic’ transactions are supported by the ‘public political’ power of these other states, but also in the more directly ‘economic’ sense of state subsidies and incentives to attract foreign direct investment. Whether, for a variety of economic, cultural, historical and political reasons, such help is as substantial or reliable as help from their ‘own’ state is questionable, but even ‘footloose’ transnational capital is not detached from the bounded space of particular states. Moreover, help from their ‘own’ state can involve the territorial extension of conventional state power beyond the state’s border, though we have seen that this is now less prevalent than formerly with the generally increased separation of 'politics/economics'. Changes in the nature of this relationship intersect with changes in the relationship between the spatial expansion of capital and the territoriality of states.

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

It is indeed the main contradiction in the system of territorial states and contrasts sharply with the relative cross-border freedom of movement for people in the transnationalism of last century. Whereas abstract analysis of the capitalist mode of production might suggest that the global market is integrated in all three dimensions of capital, goods and labour, the concrete reality is 'a truncated integrated market reduced to the first two of those dimensions' (Amin 1996: 220-1). Labour markets are characterised by very obviously incomplete- or non-globalisation, with cross-border flows restricted to certain categories of worker (generally at the top and bottom ends of the market), often operating under restrictive conditions, and quite different from the completed nature of markets within state territories. This is, moreover, a major source of polarisation between rich and poor in the world system and a generator of further uneven development which is in turn, as already mentioned, a generator of borders. In this contradictory world, borders create problems and borders are required to contain them. A single-state 'borderless world' which had surrendered such powerful mechanisms of control as bordered states and nations and the territorial ideologies of nationalism could hardly cope with the tensions of capitalism.

State borders are becoming more complex and differentiated rather than 'withering away'. Paradoxically with intensified globalisation, they are becoming more problematical and if anything more rather than less contradictory.
Notes

1. My thanks to Liam O'Dowd and Douglas Hamilton for comments on earlier versions of some of the ideas in this paper; and to the two anonymous referees who commented very helpfully on the first draft and made constructive and stimulating suggestions for further developing parts of it. I have not been able to take up all their suggestions in what is already an 'ambitious' paper in the words of one of them, but I allude to some of their suggestions in the notes below, and hope to do them more justice in the future.

2. As one referee pointed out, the situation is considerably more complicated than a simple 'politics/economics' distinction would suggest, for unionists also reject forms of 'economic' integration which have direct implications for political integration, as in their opposition to co-operation involving state policies and agencies for industrial development and attracting foreign investors. However, this further supports the need to recast the distinction along the lines suggested in the paper.

3. As the other referee noted, the political deficit arises from the arbitrary and coercive imposition of most state borders. However, in addition to their generally undemocratic origins, borders continue to reproduce political deficits by politically dividing functioning cross-border, or potentially cross-border, communities.

4. The negative economic effects of borders are emphasised here, but as one referee argued, their positive effects - in intensifying local interaction, competitiveness and central state involvement in areas adjacent to the border - should not be overlooked.

5. It is interesting to note that Rosenberg takes the nationalised British Coal Board to exemplify the dichotomising of 'economic' and 'political' spheres and the non-neutrality of the state with respect to 'private' political power in production. In the miners' 1984-5 strike, Mrs. Thatcher's neo-liberal government gave the Coal Board management every assistance against its
employees while at the same time insisting that the dispute was a 'non-political' industrial dispute and not a matter for the state; its alleged 'only' role was to uphold the 'rule of law' and 'allow management to manage' (Rosenberg 1994: 128).

6. One referee suggested that a contemporary example might be the European Community putting 'market building' before 'state building' in a reversal of the older priority. Monetary Union can be seen as minimising the economic 'deficits' associated with a territorially divided system of states and the 'arbitrage' of financial speculation against their different currencies.

7. I am indebted to one of the referees for pointing this out and noting that Arrighi (1996) explicitly analyses how different forms of territorial control first enabled and then impeded accumulation as the economic basis for successive hegemonies.

8. More differentiated for example in the distinction between the EU’s external and internal borders and the coexistence of 'Fortress Europe' and the Schengen Agreement removing border controls.

References


**Biographical Note**

**James Anderson** was previously at the Open University and the University of Newcastle where he held the Chair of International Development in the Department of Geography. In 1999 he joined Queen's University Belfast where he is a Reader in Geography and a co-founder and Co-Director of CIBR. Professor Anderson's research interests are nationalism, political territoriality, cross-border co-operation, and transnational democracy.