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The state, international competitiveness and neoliberal globalisation: is there a future beyond 'the competition state'?

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Abstract. This article seeks to contribute to opening up a space of possibility for the state to become something other than a competitive entity in and through a critical (re)problematisation of 'international competitiveness' as a governmental problem. In more specific terms, it inquires into how international competitiveness was constituted as such a problem in the first place; how both the meaning of international competitiveness and the terms of the 'competitiveness problem' have been transformed by globalisation talk and multilateral efforts at neoliberal global governance; and how the discourse of international competitiveness works to (re)produce the state as a competitive entity on a continuous basis.

If by 'competition state' is understood a state geared towards international competitiveness, then there should be little doubt that many, if not most, contemporary states qualify for the label. The prominence and meta-character of the 'competitiveness problem' in contemporary reflections on state governance can hardly be exaggerated, and there is a sense in which it has even come to challenge 'national security' as the primary concern of state authorities.[1] In a somewhat paradoxical fashion, international competitiveness has been constituted both as a (if not *the*) central objective in relation to which more or less all state policies should be considered, and as a (if not *the*) central means to the resolution of more or less all other problems that the state is confronted with. There is hardly an issue that can escape consideration as to its impact on international competitiveness, and there is seemingly no problem that will not fade away if only the competitiveness problem is resolved.

Gone are the days when economists like Paul Krugman denounced the term competitiveness as 'meaningless' when applied to national economies and referred to international competitiveness concerns as a 'dangerous obsession',[2] and more catching than ever is James Rinehart's decade-old claim that 'the necessity of competitiveness has been hammered home by governments, corporations, and the

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[1] However, note post-9/11 emphasis on the need to strike 'the right balance between competitiveness and security'. *Creating Opportunity out of Adversity*, Proceedings of the National Symposium on Competitiveness and Security (Washington, DC: Council of Competitiveness, 2002).

[2] Paul R. Krugman, 'Competitiveness: A Dangerous Obsession', *Foreign Affairs*, 73:2 (1994), pp. 28–44.

media to the point that it is taken for granted, a fact of life that is so obvious that we unthinkingly acquiesce to its dictates'.[3] Contributing towards this sense of givenness are claims that contemporary concerns with competitiveness represent nothing new – that '[competitiveness] is merely the most recent incarnation in a conceptual lineage for debating national economic development whose origins may be traced back to the first half of the nineteenth century',[4] or that 'the term competitiveness . . . addresses issues which have been central in public policy for at least the last 500 years, albeit under different headings.'[5]

Against such quasi-naturalisations of the competitiveness problem – and, hence, also of the competition state – the present article will seek to contribute to the opening up of a space of possibility for the state to become something other than a competitive entity. Towards this end, it engages in a critical (re)problematisation of the governmental problem that consumes and energises the competition state more than anything else – namely, that of international competitiveness. More specifically, it inquires into how international competitiveness was constituted as a governmental problem in the first place (Section 2); how both the meaning of international competitiveness and the terms of the competitiveness problem have been transformed by globalisation talk (Section 3) and multilateral efforts at neoliberal global governance (Section 4); and how the discourse of international competitiveness works politically to (re)produce the state as a competitive entity on a continuous basis (Section 5). The article concludes with an elaboration of how this (re)problematisation of the problem of international competitiveness can contribute to open up a space of possibility for the state to become something other than a competitive entity. To start out, however, a brief review of the literature on the competition state is warranted.

On the competition state

The notion 'competition state' was coined by Philip G. Cerny in connection with his analysis of how 'forms of state economic intervention – or, in its broader form, the economic and social activities of the state (. . .) – [were changing] in the attempt to respond to, and to shape and control, growing international economic interpenetration and the transnational structures to which it gives rise.'[6] In more specific terms,

[3] James Rinehart, 'The Ideology of Competitiveness', *Monthly Review*, 47:5 (1995), p. 14.

[4] Simon Lee, 'Competitiveness of Nations', in R. J. Barry Jones (ed.), *Routledge Encyclopedia of International Political Economy*, vol. 1 (London: Routledge, 2001), p. 224.

[5] Erik S. Reinert, 'Competitiveness and Its Predecessors – a 500-year Cross-National Perspective', *Structural Change and Economic Dynamics*, 6:1 (1995), p. 24.

[6] Philip. G. Cerny, *The Changing Architecture of Politics: Structure, Agency, and the Future of the State* (London: Sage, 1990), p. 205. See also his 'Paradoxes of the Competition State: The Dynamics of Political Globalization', *Government and Opposition*, 32:2 (1997), pp. 251–74; 'Restructuring the Political Arena: Globalization and the Paradoxes of the Competition State', in Randall D. Germain (ed.), *Globalization and Its Critics: Perspectives From Political Economy* (Basingstoke: Macmillan, 2000), pp. 117–38; 'Political Globalization and the Competition State', in Richard Stubbs and Geoffrey R. D. Underhill (eds.), *Political Economy and the Changing Global Order*, 3rd edn. (Oxford: Oxford University Press, 2005), pp. 376–86; 'Competition State', in Jones, *Routledge Encyclopedia*, pp. 220–4. For somewhat different conceptions of the competition state, see Joachim Hirsch, *Der nationale Wettbewerbsstaat: Staat, Demokratie und Politik im globalen Kapitalismus* (Berlin: Edition ID-Archiv, 1995); Bob Jessop, *The Future of the Capitalist State* (Cambridge: Polity Press, 2002).

Cerny argued that 'greater structural interpenetration of national economies' had – in conjunction with 'the more competitive, zero-sum world of [the] international recession' that prevailed in the wake of the so-called oil crisis of the early-1970s[7] – forced several changes in government policy to the fore. In 1997, he outlined the changes in question as follows:

> (1) a shift from macroeconomic to microeconomic interventionism, as reflected in both deregulation and industrial policy; (2) a shift in the focus of that interventionism from the development and maintenance of a range of 'strategic' or 'basic' economic activities in order to retain minimal economic self-sufficiency in key sectors to one of flexible response to competitive conditions in a range of diversified and rapidly evolving international marketplaces, i.e. the pursuit of 'competitive advantage' as distinct from 'comparative advantage'; (3) an emphasis on the control of inflation and general neoliberal monetarism – supposedly translating into non-inflationary growth – as the touchstone of state economic management and interventionism; and (4) a shift in the focal point of party and governmental policies away from a general maximisation of welfare within a nation (full employment, redistributive transfer payments and social service provision) to the promotion of enterprise, innovation and profitability in both private and public sectors.[8]

While Cerny conceptualised this as a shift 'from the welfare state to the competition state'[9] – with the state forced 'to act more and more like a market player, that shapes its policies to promote, control, and maximise returns from market forces in an international setting'[10] – he also stressed that policymakers had a range of potential responses with which to work, that there were significant variations in how different states coped with the pressures of adaptation and transformation, and that it was possible to distinguish between three different forms of the competition state. Firstly, a strategic or developmental state characterised by strong-state technocratic *dirigisme*, and associated with Japan and France. Secondly, a neoliberal state based on orthodox free-market economic liberalism, and associated with the USA and the UK. And, thirdly, a neocorporatist model characterised by social partnership, and associated with Germany, Sweden and the European Union.

Although Cerny conceived of these three models as being 'competing forms of the competition state',[11] he stressed that they would be 'feasible in the medium term only where they constitute relatively efficient alternative modes of adaptation to economic and political globalization', and that 'pressures for homogenization' would probably erode them 'where they prove to be economically inefficient in world markets and therefore unattractive to state and market actors.'[12] In this connection, he claimed that the original strategic-developmental model of the competition state had lost ground – partly because the scope of control that a technocratic patron-state and its client firms can exercise over market outcomes had diminished with integration into global markets, and partly because states had become 'splintered' in the sense that state actors and agencies were increasingly intertwined with 'transgovernmental networks' – and that the neoliberal state had become 'the orthodox model of the competition state today.'[13]

7 Cerny, *Changing Architecture*, p. 225.
8 Cerny, 'Paradoxes', p. 260.
9 Cerny, *Changing Architecture*, p. 220.
10 Ibid., p. 230.
11 Cerny, 'Paradoxes', p. 263.
12 Ibid., p. 251.
13 Ibid., p. 265.

Drawing not only on Cerny, but also on Susan Strange's work on how the interstate competitive game had changed from control of territory to a quest for world market shares,[14] Ronen Palan and Jason Abbott conducted a book-length study on the competition state and state strategy in the world political economy. In their conception, the competition state comprised two broad elements: firstly, a 'pervasive belief in national competitiveness as the means for generating economic growth and rising living standards', and secondly, 'the manner by which governments execute competitive policies in an integrated economic market has shifted from predominantly demand-side measures to supply-side measures'.[15] Two years later, Palan added the following third element to the list: 'the distinction between national and international policies is no longer tenable so that a broader array of policies . . . can and should nowadays be integrated within an overall national competitive strategy.'[16]

Partly in parallel with Cerny's outline of different forms of the competition state, Palan and Abbott claimed that there was evidence of neither 'a worldwide shift from one state-form to another' nor the emergence of 'a single universal model of a competition state',[17] and they proceeded with an outline of a broad set of competitive strategies or 'policies that are explicitly aimed at improving the climate for business (national and/or multinational) and hence enhancing the 'competitive' advantage of such countries in the global economy.'[18] In more specific terms, they identified seven strategic policy options available to states: They may (1) join together in large regional blocs; (2) adopt the developmental state model; (3) embrace the social democratic mode of selective integration into the world economy; (4) seek to dominate a regional or world economy to achieve hegemony; (5) exploit their cheap and abundant labour to attract foreign capital; (6) seek to exploit a parasitical niche in the world market such as tax haven; or (7) be structurally impeded from joining the competitive game.

In the broader debate on 'globalisation and the state' within the social sciences, what has become known as competition state theory takes up what Anthony McGrew has labelled a 'transformist' position.[19] In contrast to both the 'hyper-globalist' claim that globalisation is causing the state to wither away, and the 'sceptical' claim that globalisation is overstated and the state remains essentially the same, the competition state literature 'accepts that globalization is a distinctly new phase and a new reality, but at the same time . . . accepts that states and governments still have a role to play.'[20] In other words, it refuses to view 'globalisation and the state as two conflicting dynamics, destined to pull in opposing directions', and rather

[14] Susan Strange, 'The Name of the Game', in Nicholas S. Rizopoulos (ed.), *Sea-Changes: American Foreign Policy in a World Transformed* (New York: Council on Foreign Relations Press, 1990), pp. 238–73; Strange, 'The Defective State', *Daedalus*, 124:2 (1995), pp. 55–74. See also John Stopford and Susan Strange (with John S. Henley), *Rival States, Rival Firms: Competition for World Market Shares* (Cambridge: Cambridge University Press, 1991).

[15] Ronen Palan and Jason Abbot (with Phil Deans), *State Strategies in the Global Political Economy* (London: Pinter, 1996), p. 4.

[16] Ronen Palan, 'Luring Buffaloes and the Game of Industrial Subsidies: A Critique of National Competitive Policies in the Era of the Competition State', *Global Society*, 12:3 (1998), p. 326.

[17] Palan and Abbot, *State Strategies*, p. 5.

[18] Ibid., p. 6.

[19] Anthony McGrew, 'The Globalisation Debate: Putting the Advanced Capitalist State in Its Place', *Global Society*, 12:3 (1998), pp. 299–321.

[20] Palan and Abbot, *State Strategies*, p. 3.

stresses 'the adaptation of the state to the new conditions.'[21] Moreover, the principal conclusion drawn by Palan and Abbott is that the system of states has not only accommodated itself to globalisation, but also 'provides the institutional infrastructure upon which the globalization of the markets can proceed'.[22]

Although the competition state literature has provided valuable insights into how the state has been transformed in the course of the past few decades, it is not without its limitations. In the context of the present article, the main limitation concerns its tendency to treat the problem of international competitiveness as a seemingly given one that states cannot but attend to. While the literature has sought to open up a space for state action that goes beyond what is commonly acknowledged in discussions on international competitiveness, the alternative state strategies in question are nevertheless all conceived in relation to the problem of international competitiveness. There is seemingly no alternative but to compete – unless, that is, a state should be so unfortunate as to be excluded from the competitive game altogether for structural reasons – and thus little in the literature pointing beyond the competition state.

Possible exceptions to this can be found in discussions on various potential crises of the competition state. According to Palan, for instance, '[i]nternational competitiveness between states reinforces already existing contradictions, placing increasing stress on state finance, exacerbating existing tendencies for growing income divergence and leading inadvertently to further financial deregulation'.[23] On his part, Cerny has identified two potential crises of the state: firstly, a crisis related to the erosion of 'the conceptions of common interest and community which have legitimated the institutional authority of the nation-state over the past several centuries';[24] and, secondly, a 'crisis of liberal democracy as we have known it' – this as a result of the emergence of 'a new and potentially undemocratic role . . . for the state as the enforcer of decisions and/or outcomes which emerge from world markets, transnational ''private interest governments'', and international quango-like regimes.'[25]

While such crisis tendencies might eventually lead to the state's reconstitution as a non-competition state, the present article will follow a different track in an attempt to contribute to the opening up of a space for the state to become something other than a competitive entity. Rather than engaging directly with the competition state, it will engage critically with the governmental problem that consumes and energises it – namely the problem of international competitiveness. If it is the case, as Peter Dicken has claimed, that '[a]s long as the concept of national (. . .) competitiveness remains in currency then no single state is likely to opt out',[26] then a critical (re)problemisation of international competitiveness as a governmental problem might contribute to the required devaluation of the concept and, subsequently, to a de-competitivisation of the state.

21 Ibid.
22 Ibid., p. 202. See also Cerny, 'Paradoxes', p. 251.
23 Palan, 'Luring Buffaloes', p. 325.
24 Cerny, 'Paradoxes', p. 254.
25 Ibid., p. 258. For a somewhat different take on a 'crisis of legitimacy' related to the competition state, see Ian Clark, *Globalization and International Relations Theory* (Oxford: Oxford University Press, 1999), pp. 89–106.
26 Peter Dicken, *Global Shift: Reshaping the Global Economic Map in the 21st Century*, 4th edn. (London: The Guilford Press, 2003), p. 141.

The emergence of 'international competitiveness' as a governmental problem

There is nothing natural, given or self-evident in international competitiveness being a key problem in contemporary reflections on state governance. More fundamentally, what constitutes a problem is in itself never given, as nothing can be claimed to constitute a problem in and of itself. In order for something to constitute a problem, it unavoidably has to be constituted as such by somebody. In other words, a problem can best be conceived as a product of problematisation – that is, the practice in and through which something is rendered problematic or constituted as a problem. To talk about a *governmental* problem, then, becomes a question of something being constituted as a problem within reflections on how to govern. Moreover, and with reference to Michel Foucault's work on governmentality, it can be claimed with Nikolas Rose and Peter Miller that government can itself be conceived as a 'problematizing activity' – this in the sense that 'it poses the obligations of rulers in terms of the problems they seek to address'.[27]

When, then, was an obligation on the part of state authorities posed in terms of the problem of international competitiveness? According to the Group of Lisbon, 'widespread concern over competitiveness arose around the end of the 1960s and beginning of the 1970s'.[28] While this might be the case, a quick look at bibliographies of literature on international competitiveness reveals that writings on the issue were very limited prior to 1980.[29] As pointed out also by the Group of Lisbon, the first reports on the issue were published in the USA and Western Europe as late as in 1980 and 1981 respectively.[30] During the first half of the 1980s, however, a flood of literature on international competitiveness began pouring out of business schools, government offices, think tanks, research institutes and, to a lesser extent, economics departments, and that flood has yet to show any sign of abating.

It follows from the above that not only are concerns with international competitiveness historically specific, but their emergence is to a large extent also geographically specific. Although such concerns have become as 'globalised' as anything else today,[31] international competitiveness was initially constituted as a governmental problem in the USA – this, in the context of a growing trade deficit and what was perceived to be the competitive challenge posed by Japan and other East Asian countries. While concerns with international competitiveness spread quickly across the Atlantic to countries in Western Europe, they have only more recently reached the shores of Japan and much of the rest of the world – including, not least, so-called developing countries.[32]

[27] Nikolas Rose and Peter Miller, 'Political Power Beyond the State: Problematics of Government', *British Journal of Sociology*, 43:2 (1992), p. 181. See Michel Foucault, 'Governmentality', in Graham Burchell, Colin Gordon and Peter Miller (eds.), *The Foucault Effect: Studies in Governmentality* (London: Harvester Wheatsheaf, 1991), pp. 87–104.

[28] The Group of Lisbon, *Limits to Competition* (London: The MIT Press, 1995), p. 154.

[29] J. E. Austin Associates, *Competitiveness Bibliography* (2002) ⟨http://www.cipe.org/pdf/whatsnew/events/budaconf/bibliography.pdf⟩; London School of Economics, *Competitiveness Bibliography* (1998), ⟨http://www.lse.ac.uk/Depts/london/econcomp/BibGen.htm⟩.

[30] The Group of Lisbon, *Limits to Competition*, p. 154. See *Report of the President on U.S. Competitiveness* (Office of Foreign Economic Research, US Department of Labor, 1980), and *Report of Industrial Competition* (European Management Forum, 1981).

[31] Reinert, 'Competitiveness', p. 24.

[32] Alexis Jacquemin and Lucio R. Pench, *Europe Competing in the Global Economy: Reports of the Competitiveness Advisory Group* (Cheltenham: Edward Elgar, 1997), pp. 2ff; Douglas Ostrom, 'The

In order to place the constitution of international competitiveness as a governmental problem in a broader perspective, it is feasible to distinguish between two different governmental contexts: business management and state governance.

Competitiveness in the context of business management

As pointed out by Sanjaya Lall, 'the concept [of competitiveness] comes from the business school literature, where it forms the basis for a great deal of strategic analysis.'[33] While this being the case, it should be stressed that there is nothing natural, given or self-evident in competitiveness being a meaningful concept even in a business or economic context. Understood as the ability or capacity to compete, the term competitiveness can only make sense in the context of rivalry among two or more actors in supplying a product or service. In consequence, talk about competitiveness becomes meaningful only in relation to actors operating within the context of one or another version of a market economy. As noted by Ulrich F.W. Ernst:

> In a market environment, any firm must be competitive to survive. Unless financiers are willing to sustain chronic losses, or protection or outright subsidies make others – consumers or taxpayers – pay for poor performance, the firm must be at least as efficient as its competitors to stay in business. It must be able to meet competitive standards of productivity – that is, the efficiency with which it converts resources into value.[34]

In the context of business management, then, the governmental problem of competitiveness becomes a question of how to improve 'the capacity of a firm to compete, grow, and be profitable in the marketplace'.[35] No matter when exactly it was constituted as a governmental problem for economic actors, the question of how to create and sustain a competitive advantage is what Michael E. Porter's extremely influential books *Competitive Strategy* and *Competitive Advantage* were all about,[36] and the never-ending quest for improved competitiveness remains at the centre of governmental reflections and practices at the corporate level – this, irrespective of the geographical space of competition being defined in local, national, regional or global terms.[37]

Competitiveness Debate Comes to Japan', *JEI Report*, 24 (1999); UNCTAD, *The Competitiveness Challenge: Transnational Corporations and Industrial Restructuring in Developing Countries* (New York: United Nations, 2000), p. 2.

33 Sanjaya Lall, 'Competitive Indices and Developing Countries: An Economic Evaluation of the Global Competitiveness Report', *World Development*, 29:9 (2001), p. 1503.

34 Ulrich F.W. Ernst, 'The Tao of Competitiveness', *Development Alternatives*, 9:1 (2003), p. 1.

35 Reinert, 'Competitiveness', p. 25.

36 Michael E. Porter, *Competitive Strategy: Techniques for Analyzing Industries and Competitors* (New York: The Free Press, 1980); Porter, *Competitive Advantage: Creating and Sustaining Superior Performance* (New York: The Free Press, 1985).

37 While the constitution of competitiveness as a governmental problem for economic actors would logically have occurred as soon as they found themselves operating in a market environment, explicit and sustained reflections on corporate competitiveness is to my knowledge of relatively recent origin. Irrespective of this, the discussion on the governmental problem of competitiveness in this subsection should be kept distinct from how 'competition' as such has been conceived and treated as a governmental problem by liberal political economists since Adam Smith's time, and by state legislators since US Senator John Sherman proposed what became the Sherman Antitrust Act in 1890. While both market-creators and trust-busters have seen it as the task of state authorities to ensure that markets are competitive, they have largely left it to the economic actors themselves to ensure their survival in the marketplace.

Competitiveness in the context of state governance

In the light of the above discussion, a key question becomes how the problem of competitiveness moved from being internal to reflections on how to manage a business firm, to become a problem internal to reflections on state governance – that is, a problem of *international* competitiveness – in the late 1970s and early 1980s. In this connection, two compound hypotheses can be put forward. Firstly, the move followed from a search for the sources of and/or remedies to poor performance at the micro-economic level – this, in the sense that state authorities were either blamed for the poor performance, or considered central to improved performance. Secondly, the move followed from a search for the sources of and remedies to poor performance at the macro-economic level – this, in the sense that the corporate sector was either blamed for the poor performance, or considered central to improved performance. In the crisis situation that prevailed in the world economy at the time, both hypotheses seem plausible.[38]

Irrespective of exactly how international competitiveness was constituted as a problem that state authorities could not but attend to, it should be stressed that firms remained the primary subjects of the competition in relation to which the concept was used. As explicitly noted by Bruce R. Scott and George C. Lodge in a key text of the mid-1980s: 'Although this volume addresses the competitive problems of the United States as a state, plainly it is American companies that do the competing; they are in the front lines'.[39] In more specific terms, then, the governmental problem on the part of state authorities became how to improve the capacity of 'national' firms to compete with foreign ones. Though the problem thus defined does not discriminate between import- and export-competing firms, most of the attention at the time was undoubtedly directed towards 'export competitiveness'. Consequently, the constitution of international competitiveness as a governmental problem worked to gear state policies towards the perceived needs and well-being of national firms with an international orientation.[40]

Although competitiveness was primarily considered a characteristic of firms and industries, many definitions of international competitiveness at the time went beyond conceiving it as the mere sum of the competitiveness of 'national' firms to include a concern with living standards. As, for instance, stated in what became the standard definition in the mid-1980s – namely the one put forward by President Reagan's Commission on Industrial Competitiveness: 'A nation's competitiveness is the degree

[38] Although my hunch is that leading industrial firms and their national business associations played a key role, more research is needed to determine which forces contributed the most to the competitiveness problem's internationalisation in different countries.

[39] Bruce R. Scott and George C. Lodge, 'Introduction', in Bruce R. Scott and George C. Lodge (eds.), *US Competitiveness in the World Economy* (Cambridge, MA: Harvard Business School, 1985), p. 3.

[40] For overviews of the multiple diagnoses of and solutions to the competitiveness problem put forward in the USA, see for example Stephen D. Cohen, 'Does the United States Have a Competitiveness Problem?', in David P. Rapkin and William P. Avery (eds.), *National Competitiveness in a Global Economy* (Boulder, CO: Lynne Rienner, 1995), pp. 21–39; Paul R. Krugman, 'Making Sense of the Competitiveness Debate', *Oxford Review of Economic Policy*, 12:3 (1996), pp. 17–25. Regarding Western Europe, see for example Wayne Sandholtz, 'Cooperating to Compete: The European Experiment', in Rapkin and Avery, *National Competitiveness*, pp. 225–41; Bastiaan van Apeldoorn, *Transnational Capitalism and the Struggle over European Integration* (London: Routledge, 2002), ch. 3.

to which it can, under free and fair market conditions, produce goods and services that meet the tests of international markets while simultaneously expanding the real incomes of its citizens'.[41] In spite of it often being treated as an end of the highest order in practice, it is this broader definition that underpins the oft-repeated claim that '[competitiveness] is not an end in itself or a target', but rather 'a powerful means to achieve rising standards of living and increasing social welfare – a tool for achieving targets'.[42]

The above definition highlights not only the state priority given to firms engaged in competition abroad, but also that concerns with international competitiveness cannot but be internal to a predominantly market-based conception of the world economy. More than this, the constitution of international competitiveness as a governmental problem can be claimed to have implied a commitment to a world market economy. In this connection, and with regard to responses calling for greater state involvement in the economy in the form of industrial policy and/or strategic trade policy, it is important to note that they tended not to be protectionist in conventional terms. Even if it was the case that protectionism rose during the 1970s, so-called neomercantilist invocations of international competitiveness came together with calls not so much for protection against competition, as for positive, offensive or proactive policies aimed at prevailing in that competition.

International competitiveness and globalisation

Although it is common to claim that there is a 'clear relationship' between international competitiveness and globalisation,[43] the relationship is not really as clear-cut as some seem to believe. On the one hand, and in accordance with what undoubtedly seems to be the dominant view, concerns with international competitiveness can be considered a national(ist) response to economic globalisation. On the other hand, globalisation can be considered a product of concerns with international competitiveness in two different ways: firstly, globalisation was promoted by business economists and state authorities alike as a strategy in and through which national firms could improve their competitiveness; and, secondly, the quest for 'free *and* fair' competition or a 'level playing field' for national firms engaged in international or global competition gave rise not only to aggressive unilateralism, bilateralism, managed trade and the like, but also to the Uruguay Round of GATT negotiations.

While it is quite clear that concerns with international competitiveness and globalisation talk have come to feed on each other, it is important to note that the shift from an 'inter-nationalist' to a 'globalised' conception of the world economy has contributed to transform both the meaning of international competitiveness and the terms of the international competitiveness problem. Following Paul

[41] President's Commission on Industrial Competitiveness, *Global Competition: The New Reality* (Washington, DC: US Government Printing Office, 1985), p. 1. For similar definitions, see OECD, *Technology and the Economy: The Key Relationships* (Paris: OECD, 1992), p. 237; and Bruce R. Scott, 'US Competitiveness: Concepts, Performance, and Implications', in Scott and Lodge, *US Competitiveness*, pp. 14–15.

[42] Jacquemin and Pench, *Europe Competing*, p. 50.

[43] Paul Hirst and Grahame Thompson, *Globalization in Question: The International Economy and the Possibilities of Governance*, 2nd edn. (Cambridge: Polity Press, 1999), p. 115.

Hirst and Grahame Thompson, the difference between the two conceptions of the world economy can be briefly outlined as follows.[44] An 'inter-nationalist' conception implies a world economy characterised by relationships among relatively autonomous national economies, and within which the principal private agents (multinational corporations) and capital more generally are 'nationally embedded'. In contrast, a 'globalised' conception implies a world economy characterised by economic relationships that exist above and autonomously from national economies, and within which the principal private agents (transnational corporations) and capital more generally are 'globally footloose'.

When initially reflected on within an 'inter-nationalist' conception of the world economy, international competitiveness referred to the ability of 'national' firms to compete with firms from other countries, and the governmental problem on the part of state authorities concerned how to improve their capacity to do so. Within a 'globalised' conception of the world economy, however, the problem thus defined does not make much sense. While some have argued that the globalisation of capital has made the notion of international competitiveness meaningless as a result of it no longer being possible to conceive economic activity in national terms,[45] others have more commonly redrawn the national(ist) distinction between 'us' and 'them', and re-employed the notion of international competitiveness with reference to that which remain spatially immobile – such as the majority of the workforce, citizens, the people, society, and so on.[46] With regard to 'them' – that is, globally footloose firms and capital – the role of states is merely 'to act as good landlords':

> [Nation-states] occupy a territorial space, but they no longer control what takes place in that space (. . .). Where they can compete for the investments of transnational corporations – their own and others – is in providing large and growing markets for goods and services, but also in assuring the investors that their space has all the facilities, services and qualities necessary to business and to pleasure.[47]

In terms that explicitly brings out the change in reflections on international competitiveness, Stéphane Garelli of the International Institute for Management Development (IMD) has claimed that as '[e]nterprises now benefit from an enormous choice in selecting their business locations . . . nations need to compete to attract or retain enterprises':[48]

> Traditionally, competitiveness was linked to the international *aggressiveness* of countries, that is, exports and [outward] foreign direct investment. Germany, Japan and Korea followed this strategy . . . more recently, some nations manage their competitiveness by *being attractive.* For example, Ireland and Singapore have increased, through incentives, [inward] direct investment. Aggressiveness generates income in the home country, but not necessarily jobs. Attractiveness creates jobs in the host countries, but can be short on income because of the incentives. This means that even wealthy nations cannot ignore the importance of attractiveness, especially because of its impact on employment.[49]

44 Ibid., pp. 8ff.
45 Leslie Sklair, *The Transnational Capitalist Class* (Oxford: Blackwell, 2001), p. 142.
46 Robert B. Reich, 'Who is US?', *Harvard Business Review*, 68:1 (1990), pp. 53–64; Reich, 'Who is Them?', *Harvard Business Review*, 69:1 (1991), pp. 77–88; Susan Strange, 'Who are EU? Ambiguities in the Concept of Competitiveness', *Journal of Common Market Studies*, 36:1 (1998), pp. 101–14.
47 Strange, 'Who are EU?', p. 113.
48 Stéphane Garelli, 'Competitiveness of Nations: The Fundamentals', in IMD, *The World Competitiveness Yearbook 2000* (Lausanne: IMD, 2000), p. 48.
49 Ibid., p. 49, my emphasis.

Conceived in terms of 'attractiveness', international competitiveness refers not to the capacity of 'national' firms to compete with foreign firms for shares of international or global product and service markets, but rather to the capacity of a state to compete with other states for shares of so-called footloose investment capital. In other words, the primary subjects of the competition in relation to which the concept of international competitiveness is increasingly used have changed from firms to states. In accordance with this, the primary governmental problem on the part of state authorities is no longer to make firms more competitive, but to make the state itself more competitive – this, irrespective of how a so-called competitive state can subsequently be claimed to make firms located on its territory more competitive. Rather than being 'complementary and interdependent',[50] the two conceptions of international competitiveness in question belong to two different imaginary worlds.

With regard to the transformative role played by globalisation talk in relation to both the meaning of international competitiveness and the terms of international competitiveness as a governmental problem, what matters is not the extent to which a globalist conception of the world economy reflects the actual form of the world economy, but rather the extent to which the latter is rendered meaningful in globalist terms, and various actors come to think and act in accordance with such meaning production. The importance of this has been outlined by Cerny as follows: 'the spread of the [globalization] discourse itself alters the a priori ideas and perceptions which people have of the empirical phenomena which they encounter; in so doing, it engenders strategies and tactics which in turn may restructure the game itself'.[51] This is what happened in a business management context when talk about globalisation took off in the early 1980s and, with the spread of globalisation talk beyond business circles, it has increasingly occurred also in the context of state governance.

Neoliberal global governance and international competitiveness

The changes in both the meaning of international competitiveness and the terms of international competitiveness as a governmental problem discussed above can to some extent be seen to follow also from contemporary efforts to govern the world economy in accordance with a neoliberal rationality of government.[52] In short, this governmental rationality can be characterised as one within which governance is reflected on with the aid of a vocabulary that includes 'competition', 'market', 'freedom', 'choice', 'customer orientation', 'efficiency' and 'flexibility' as core concepts; 'the market' is constituted as the ideal in relation to which governance should be oriented; it is accepted that markets can exist only under specific political,

[50] Hirst and Thompson, *Globalization in Question*, p. 122.

[51] Cerny, 'Paradoxes', p. 256.

[52] This conception of neoliberalism as a rationality of government draws on Foucault's work on 'governmentality' as a specifically modern form of power – one in which government is understood as *conduct on conduct*, or an activity aimed at shaping or influencing the actions of one or more persons through their capacity to regulate their own behaviour. Foucault, 'Governmentality'; Burchell et al., *Foucault Effect*; Andrew Barry, Thomas Osborne and Nikolas Rose (eds.), *Foucault and Political Reason: Liberalism, Neo-Liberalism and Rationalities of Government* (London: University College of London Press, 1996); Mitchell Dean, *Governmentality: Power and Rule in Modern Society* (London: Sage, 1999); and Thomas Lemke, ' ''The Birth of Bio-Politics'': Michel Foucault's Lecture at the College de France on Neo-Liberal Governmentality', *Economy and Society*, 30:2 (2001), pp. 190–207.

legal and institutional conditions that must be actively established by authorities; individual and/or individualised entities are constituted and acted upon as flexible and manipulable subjects with a rationality derived from arranged forms of entrepreneurial and competitive behaviour; the main responsibility for economic activity is ascribed to private market actors; and interventions in such activity on the part of authorities are, if accepted at all, given a theoretical justification based on ideas of market failure or imperfection.

With regard to contemporary reflections and practices on the part of the key international organisations engaged in 'the management of the global economy' or 'global economic policy-making' (such as the WTO, the IMF, the IBRD and, more indirectly, the OECD), there should be little doubt that a seemingly free and self-regulating global market is constituted as the ideal in relation to which governance should be oriented.[53] Moreover, and in spite of the tendency to naturalise or depoliticise the establishment of an open and competitive global marketplace with reference to 'technological developments' and 'market integration', there is a fairly clear acknowledgement that the realisation of a global marketplace is dependent not only on active state dismantling of barriers to the free flow of goods, services and capital, but also on the putting in place of the basic political, legal and institutional framework in and through which a market is constituted (property rights, contract rights, and so on) and policed on a continuous basis (competition policy).

The acknowledgement of a global marketplace not being self-constitutive is perhaps most evident in the inclusion of 'competition policy' on the WTO's agenda during the Ministerial Conference in Singapore in 1996. Its inclusion rests to a very large extent on the recognition that competitive behaviour on the part of firms is not something that follows automatically or naturally from a removal of state barriers to the free flow of goods, services and capital. Rather, and as reflected also in the presence of sizeable competition authorities in all so-called market economies, such behaviour must be not only regulated into being, but also policed on a continuous basis. As noted in a report prepared by WTO's Working Group on the Interaction between Trade and Competition Policy:

> The very rationale for discussing competition policy in the context of the WTO was, in fact, the concern that once government policy-induced restrictions were removed through the implementation by Members of the Uruguay Round commitments, the vacated space might be occupied by private enterprises of an anti-competitive nature.[54]

While the above implies that states and inter-statal authorities are ascribed a central role in connection with the constitution and policing of a competitive global marketplace, it is explicitly or implicitly given that the responsibility for economic activities as such should rest solely with a private-capitalist business community. In spite of this, however, and despite also what seems to be a growing tendency to

[53] It should be noted that the actors somehow involved in efforts to constitute an open and competitive global marketplace go beyond the global economic policymaking apparatus to include both a plethora of neoliberal research institutes, think tanks and professional networks, and transnational corporations, business associations and institutions like the World Economic Forum. Stephen Gill, 'European Governance and New Constitutionalism: Economic and Monetary Union and Alternatives to Disciplinary Neoliberalism in Europe', *New Political Economy*, 3:1 (1998), p. 12; Susan K. Sell, 'Big Business and the New Trade Agreements: The Future of the WTO?', in Stubbs and Underhill, *Political Economy*, pp. 174–83.

[54] *Report of the Working Group on the Interaction between Trade and Competition Policy to the General Council*, WT/WGTCP/4 (Geneva: WTO, 2000), p. 5.

conceive of 'government failure' as being a greater problem than 'market failure', there remains as of today an opening for 'market interventions' in accordance with a theoretical argument based on the idea of market failure. As for instance noted by Deputy Managing Director Eduardo Aninat of the IMF, 'there can be no substitute for supranational efforts to tackle those aspects of globalisation – financial contagion, global warming or marginalisation and social exclusion – that markets can *still* only imperfectly deal with'.[55]

In the context of the present article, the important point to note is that the increasingly prominent conception of international competitiveness in terms of 'attractiveness' presupposes (re)locational freedom on the part of capital, and that the granting and securing of such freedom is integral to ongoing efforts to govern the world economy according to a neoliberal rationality of government. Although there is currently no comprehensive multilateral framework in place to secure the operational freedom of capital on a planetary scale – an unfortunate result, some might say, of the collapse of the OECD-initiated negotiations on a Multilateral Agreement on Investment in 1998 – FDI-related conditions attached to structural adjustment loans, the steadily growing number of very similar bilateral investment treaties, and the creeping multilateralisation of FDI-related rules within the WTO are de facto bringing the world in that direction.[56]

International competitiveness and neoliberal governance of states

While efforts to govern the world economy according to a neoliberal rationality of government have contributed to pave the way for the prominent position of 'attractiveness' in contemporary reflections on international competitiveness, the contemporary discourse on international competitiveness is central to how states themselves are increasingly subjected to a form of neoliberal governance in the world political economy – this in the sense that they are constituted and acted upon as flexible and manipulable market actors in and through it. In order to place this claim in a broader perspective, a closer look at how the state is constituted as a sovereign, (self)disciplined *and* competitive entity in connection with contemporary efforts at neoliberal global governance is warranted.

The state as a sovereign entity

Within the context of neoliberal global governance, it can initially be argued that the state is constituted as a *sovereign* juridico-political entity – this as a consequence of the role that states and/or things inter-statal are ascribed in connection with the constitution and regulation of a global marketplace. The main point here is not that the state is somehow pre- or self-constituted as a sovereign entity, but rather that the entry into intergovernmental regulatory schemes and participation in multilateral organisations make up central elements in the continuous practice in and through which a state is constituted as sovereign vis-à-vis other co-sovereignised states.

[55] Eduardo Aninat, 'Countries Can't Go It Alone', *OECD Observer*, 228 (2001), p. 5, my emphasis.

[56] On the emerging multilateral investment regime, see for example David Schneiderman, 'Investment Rules and the Rule of Law', *Constellations*, 8:4 (2001), pp. 521–37.

Moreover, states (as governments) are also presumed to be sovereign vis-à-vis the subjects of the state, since the effectiveness of international regulatory schemes depend on the state's ability to put them into practice domestically.

The state as a (self)disciplined entity

Beyond its constitution as sovereign, the state is constituted also as a *(self)disciplined* entity in connection with contemporary efforts to constitute a global marketplace. In more specific terms, it is thus constituted in relation to both international rules and norms, and globally mobile or footloose capital. The former kind of discipline concerns the constraints that a set of international rules and norms place on the policy options available to state authorities. If the rules and norms in question are considered in relation to intergovernmental agreements, then the constraints follow from a state's legal obligations under international economic law. In this connection, the actions and policies on the part of state authorities are subjected to continuous surveillance by other parties to the agreements and/or the bodies authorised to oversee them, and disciplinary measures are expected to follow in the case that they break with international law. While there is nothing new in (self)discipline on the part of states in relation to interstate law and agreements, certain developments in the field of international economic law imply both a broadening of constraints and a strengthening of disciplinary enforcement mechanisms.

This is undoubtedly the case with the WTO-agreement of 1994, which has been considered by supporters and critics alike as performing constitutional functions and/or being an incipient global economic constitution.[57] While supporters inspired by public choice theory or constitutional economics consider such constitutionalism to serve as a counterbalance to the influence of protectionist or anti-globalist interest groups on state decision-making processes,[58] critics like Stephen Gill consider the 'new constitutionalism' in question as an essentially undemocratic means through which neoliberal reforms are 'locked-in', and state authorities and people in general are handcuffed in relation to a seemingly autonomous economic sphere of reality at the global level.[59] Whichever way one wants to see it, the constitutionalism in question is not just any kind of constitutionalism, but a neoliberal one that conceives of a constitution solely as a means to impose limits on state authorities.[60]

[57] For general discussions, see Robert Howse and Kalypso Nicolaidis, 'Legitimacy and Global Governance: Why Constitutionalizing the WTO is a Step Too Far', in Roger B. Porter, Pierre Sauvé, Arvind Subramanian and Americo Beviglia-Zampetti (eds.), *Efficiency, Equity, and Legitimacy: The Multilateral Trading System at the Millennium* (Washington, DC: Brookings Institution, 2001), pp. 227–52; Markus Krajewski, 'Democratic Legitimacy and Constitutional Perspectives of WTO Law', *Journal of World Trade*, 35:1 (2001), pp. 167–86.

[58] Dennis C. Mueller, 'A Global Competition Policy for a Global Economy', in Herbert Giersch (ed.), *Merits and Limits of Markets* (Berlin: Springer, 1998), pp. 211–35; Ernst-Ulrich Petersmann, 'Constitutionalism and WTO Law: From a State-Centered Approach towards a Human Rights Approach in International Economic Law', in Daniel L. M. Kennedy and James D. Southwick (eds.), *The Political Economy of International Trade Law: Essays in Honor of Robert E. Hudec* (Cambridge: Cambridge University Press, 2002), pp. 32–67.

[59] Stephen Gill, 'Constitutionalizing Inequality and the Clash of Globalizations', *International Studies Review*, 4:2 (2002), pp. 47–65; Gill, 'European Governance'. For similar arguments related to the emerging multilateral investment regime, see David Schneiderman, 'Investment Rules and the New Constitutionalism', *Law and Social Inquiry*, 25:3 (2000), pp. 757–87.

[60] Krajewski, 'Democratic', p. 181.

With respect to the second kind of discipline, the issue concerns the constraints that the mobility of capital is claimed to have placed on the policy options available to state authorities. Although this form of discipline is most often portrayed as something involuntary by representatives of state authorities, it should be fairly obvious that it follows more or less automatically from the neoliberal efforts to constitute a global marketplace in general, and to 'liberate' the flow and operation of capital and investments in particular. Expressed somewhat differently, once capital is reconstituted at a global level, state authorities can seemingly not do much else but either discipline themselves in relation to, or forcefully be disciplined by, the 'global logic' of so-called market forces:

> In today's borderless economy, the workings of the 'invisible hand' have a reach and strength beyond anything Adam Smith ever could have imagined. . . . [E]conomic activity is what defines the landscape on which all other institutions, including political institutions, must operate. . . . [T]he often instantaneous movement of people, ideas, information, and capital across borders means that decisions are swayed by the threat that needed resources [or economic activity] will go elsewhere.[61]

Certain forms of short-term portfolio investments and credit arrangements aside, the 'quicksilver' nature often ascribed to contemporary capital and investments is in no way beyond question.[62] In spite of this, state authorities can hardly know exactly what it takes for various forms of capital to react negatively and fly or shy away from its territory. With regard to (self)discipline on the part of state authorities, this uncertainty can in itself do the trick: Knowing that the 'capacity' on the part of capital to move is there,[63] knowing that they and their policies are being scrutinised and surveilled on a continuous basis by a vast array of private-capitalist institutions (firms, banks, credit-rating agencies, political risk analysts, and so on), knowing that each and every 'wrong' move on their part will be instantaneously registered and circulated, and thinking and being told that such moves might provoke a negative reaction on the part of capital claimed to be globally footloose – state authorities can easily reach the conclusion that self-restraint is the most feasible policy option.

The state as a competitive entity

Though somewhat more indirectly, the state is constituted also as a *competitive* entity in connection with contemporary efforts to constitute a global marketplace. While some might consider this a mere by-product of the state's constitution as a (self)disciplined entity – this in the sense that the state is left with no option but to

[61] Kenichi Ohmae, 'Putting Global Logic First', *Harvard Business Review*, 73:1 (1995), p. 119. This concerns what neo-Gramscian scholars have referred to as 'the structural power of capital' or 'disciplinary neoliberalism'. Stephen Gill and David Law, 'Global Hegemony and the Structural Power of Capital', *International Studies Quarterly*, 33:4 (1989), pp. 475–99; Gill, 'Globalisation, Market Civilisation, and Disciplinary Neoliberalism', *Millennium: Journal of International Studies*, 24:3 (1995), pp. 399–423.

[62] See for example Michael Veseth, *Selling Globalization: The Myth of the Global Economy* (Boulder, CO: Lynne Rienner, 1998).

[63] Kenneth P. Thomas and Timothy J. Sinclair, 'Structure and Agency in International Capital Mobility: An Introduction', in Timothy J. Sinclair and Kenneth P. Thomas (eds.), *Structure and Agency in International Capital Mobility* (Basingstoke: Palgrave, 2001), p. 3.

compete for capital – the argument made here is that the state is constituted and acted upon as a flexible and manipulable market actor in and through the discourse on international competitiveness. With international competitiveness conceived in terms of 'attractiveness', the state is commodified,[64] and statesmanship is transformed into salesmanship – not in the old 'trade mission' sense of promoting the products and services of 'national' firms in external markets, but in the sense of selling the state as a location to globally footloose capital and firms. With 'selling' understood in the broad sense of developing, branding, promoting, marketing and selling a product, the state is constituted as a competitor and entrepreneur operating in a global 'market for investment'.[65]

According to neoliberal public choice theory, the constitution of states as such competitive and entrepreneurial entities approximates a normative ideal. The reason for this is that what Horst Siebert has called 'locational competition'[66] is often considered 'a substitute for more overt attempts to contain a government's Leviathan tendencies such as constitutional amendments'.[67] Assuming both that 'countries can benefit economically from luring factors into their jurisdiction', and that '[i]ndividuals may ''vote by their feet'' and move either themselves or capital to the most preferred jurisdiction', state authorities 'will, *driven by their self interest*, compete in offering favorable rules and institutions . . . to mobile factors'.[68] Although current conditions approximate their normative ideal, public choice theorists can nevertheless be expected to identify the following deficiency in locational competition of the kind discussed above: since competitive behaviour is considered as unnatural for state authorities as it is for firms, '[c]ompetition among governments, like competition among firms, cannot be left to itself':[69]

> Horizontal competition among governments not only requires the removal of barriers to trade, capital movements, and migration and the enforcement of private contracts in inter-state commerce and finance. State governments must not only be prevented from protecting their territorial tax and regulatory monopolies against interjurisdictional substitution by the market. They must also be prevented from setting up tax and regulatory cartels among themselves. Moreover, if horizontal competition is not to be distorted, the competing governments must not be permitted to impose negative non-market

[64] Mark Beeson, 'Indonesia, the East Asian Crisis and the Commodification of the Nation-state', *New Political Economy*, 3:3 (1998), pp. 357–74; Thomas Klak and Garth Myers, 'How States Sell Their Countries and Their People', in Thomas Klak (ed.), *Globalisation and Neoliberalism: The Caribbean Context* (Lanham, MD: Rowman & Littlefield, 1998), pp. 87–109. On such commodification at the level of cities, see Gerry Kearns and Chris Philo (eds.), *Selling Places: The City as Cultural Capital, Past and Present* (Oxford: Pergamon Press, 1993); John Gold and Stephen V. Ward (eds.), *Place Promotion: The Use of Publicity and Marketing to Sell Towns and Regions* (Chichester: John Wiley & Sons, 1994).

[65] On the notion 'market for investment', see Stephen E. Guisinger, 'A Comparative Study of Country Policies', in Stephen E. Guisinger et al., *Investment Incentives and Performance Requirements* (New York: Praeger, 1985), pp. 12ff.; Kenneth P. Thomas, *Competing for Capital: Europe and North America in a Global Era* (Washington, DC: Georgetown University Press, 2000), pp. 21ff.

[66] Horst Siebert (ed.), *Locational Competition in the World Economy: Symposium 1994* (Tübingen: J.C.B. Mohr, 1995); Siebert, 'Locational Competition: A New Paradigm in the Global Economy' (2000) 〈http://ons2000.ons.no/papers/siebert.doc〉.

[67] Stefan Sinn, 'The Taming of the Leviathan: Competition among Governments', *Constitutional Political Economy*, 3:2 (1992), p. 177.

[68] Peter Lewisch, 'Constitutional Economics and Choice of Law', in *James M. Buchanan Festschrift* (1999) 〈http:\\www.gmu.edu/jbc/fest/files/lewisch.htm〉, my emphasis.

[69] Roland Vaubel, 'Enforcing Competition among Governments: Theory and Application to the European Union', *Constitutional Political Economy*, 10:4 (1999), p. 327.

externalities – like war, pollution, claim-jumping or cost-raising majority decisions – on each other.[70]

Although there is currently no federal or supranational authority in place to arrange and police the efficient operation of locational competition among states, there are plenty of actors that work to (re)constitute and act on states as flexible and manipulable market actors on a continuous basis.[71] These include IGOs like the OECD, UNCTAD and development banks, whose policy guidelines are often framed in terms of the need of states to compete for footloose capital;[72] institutions like the IMD and the WEF, whose competitiveness indices function as benchmarks with respect to the relative ability of states to attract footloose capital;[73] scholars from various branches of Business Administration, whose ‘how-to-compete’ knowledge is adapted to and targeted at states-as-competitors;[74] consultancy and public relations firms, whose services are promoted vis-à-vis state authorities with reference to their need to compete for footloose capital;[75] and individual firms, whose bidding contests or ‘locational tournaments’ in connection with particular investments pit two or more locations against each other.[76] Furthermore, and partly in response to the above, state authorities throughout the world have increasingly equipped themselves with national competitiveness councils, national competitiveness reports, investment promotion agencies and so on, in and through which they (re)constitute and act on themselves and their populations as competitive and entrepreneurial ‘place-sellers’ in a global market for investment.[77]

[70] Ibid., p. 328.

[71] For comparison, note the role played by central authorities in connection with locational competition among cities. Jamie Peck and Adam Tickell, ‘Jungle Law Breaks Out: Neoliberalism and Global-Local Disorder’, *Area*, 26:4 (1994), p. 319; Neil Brenner, ‘Building ‘‘Euro-Regions’’: Locational Politics and the Political Geography of Neoliberalism in Post-Unification Germany’, *European Urban and Regional Studies*, 7:4 (2000), pp. 319–45.

[72] See for example OECD, *Foreign Direct Investment for Development: Maximising Benefits, Minimising Costs* (Paris: OECD, 2002); OECD and the South East Europe Regional Roundtable on Investment Promotion, *Strategic Investment Promotion: Successful Practice in Building Competitive Strategies* (2002); UNCTAD, *Competitiveness Challenge*; UNCTAD, *World Investment Report 2002: Transnational Corporations and Export Competitiveness* (New York: United Nations, 2002). With regard to development banks, see background paper ‘History of competitiveness initiatives’ prepared for USAID’s conference ‘Building Competitive Advantage in Nations: Increasing Transparency, Combating Corruption and Improving Corporate Governance’, Budapest, 26–28 March, 2002 ⟨http://www.cipe.org/pdf/whatsnew/events/budaconf/history.pdf⟩.

[73] While the competitiveness indices produced by IMD and WEF are the most influential ones, there are plenty of others around. See ⟨http:\\www.fias.net/investment_climate⟩.

[74] Michael E. Porter, *The Competitive Advantage of Nations* (London: Macmillan, 1990); Philip Kotler, Donald H. Haider and Irving Rein, *Marketing Places: Attracting Investment, Industry, and Tourism to Cities, States, and Nations* (New York: The Free Press, 1993); Louis T. Wells, Jr. and Alvin G. Wint, ‘Marketing a Country: Promotion as a Tool for Attracting Foreign Investment’ (revised edn.), *FIAS Occasional Paper*, 13 (2000).

[75] Notable examples are the OTF Group (previously part of the Monitor Group), J. E. Austin Associates, SRI International, DRI/McGraw-Hill, and ICF Kaiser.

[76] Lynn K. Mytelka, ‘Locational Tournaments for FDI: Inward Investment into Europe in a Global World’, in Neil Hood and Stephen Young (eds.), *The Globalization of Multinational Enterprise Activity and Economic Development* (Basingstoke: Macmillan, 2000), pp. 278–302.

[77] For a brief survey on national competitiveness councils, see Kate Grubb, ‘A Study of Five National Competitiveness and Productivity Councils’ (J. E. Austin Associates, 2002), <http://www.competitiveness.bg/councils.rtf>. On investment promotion agencies, see UNCTAD, ‘The World of Investment Promotion at a Glance: A Survey of Investment Promotion Practices’, *Advisory Studies*, 17 (2002).

With regard to state policies and institutions, the shift from aggressiveness to attractiveness in reflections on international competitiveness can be claimed to stimulate both convergence and divergence. On the one hand, locational competition stimulates convergence as state authorities increasingly compare their policies and institutions to those of competitors, and seek to adopt the 'best practice' or 'best offer' around in order to remain in the locational game. The necessity of being attentive to 'the needs of the market' is alpha and omega, and given the policies and institutions considered to be of general importance in attracting capital – security and freedom for capital, a stable and predictable legislative environment, a supportive material and technological infrastructure, a well-educated workforce, and a business-friendly environment in general (low corporate taxes, flexible labour markets, and so on) – this makes for a certain degree of convergence towards neoliberal state governance.

On the other hand, locational competition also stimulates divergence of a kind, as it becomes of paramount importance for states to stand out as different *and* better in order to appear attractive in the eyes of capital. In spite of this, however, the option of being different is increasingly constrained as a result of not only the competitive market logic mentioned above, but also how intergovernmental regulatory schemes dig deeper and deeper into what was previously conceived as a 'domestic' sphere, and leave less and less space for policies and institutional arrangements that break significantly with the neoliberal norm. Differences do remain, but it is increasingly a question of cosmetic brand-and-packaging differences within the context of the state's constitution as a dual 'entrepreneurial state' – that is, one in which state authorities seek not only to promote entrepreneurship within a 'national' space, but also to act entrepreneurially in developing and selling that space as a place-commodity in a global marketplace.[78]

To round off this discussion on state salesmanship, it should be mentioned that it must to some extent also take residents at large into consideration. The reason for this is not merely that they are part and parcel of the product to be sold, nor that they have the undemocratic privilege to 'vote with their feet', but rather that they might rebel and undermine a particular strategy to sell a state. With place-selling being a question not of selling a place with a given identity or product qualities, but rather of the representational and material adaptation of a place to that which is assumed to attract capital, the potential for resistance follows from both how all place-constructions can be contested and made subject to conflict, and how the reality effects of place-representation and -adaptation are likely to vary among different groups of people.[79] Against this background, the 'economic logic' through which a place is marketed and sold as something attractive for globally footloose capital must be complemented with a 'social logic' through which immobile residents are given a

[78] The notion 'entrepreneurial state' is used in line with the notion 'entrepreneurial city'. Tim Hall and Phil Hubbard (eds.), *The Entrepreneurial City: Geographies of Politics, Regime and Representation* (Chichester: Wiley, 1998); Bob Jessop, 'The Entrepreneurial City: Re-Imagining Localities, Redesigning Economic Governance, or Restructuring Capital', in Nick Jewson and Susanne MacGregor (eds.), *Transforming Cities: Contested Governance and New Spatial Divisions* (London: Routledge, 1997), pp. 28–41.

[79] Doreen Massey and Pat Jess (eds.), *A Place in the World? Places, Cultures and Globalization* (Oxford: Oxford University Press, 1995).

sense of being part of a successful community.[80] In this connection, it is somewhat paradoxical to note that the very discourse necessitating such 'engineering [of] social consensus'[81] – that is, the discourse of international competitiveness – seems to have become increasingly central in contemporary processes of identity construction at both state and regional levels.[82]

Conclusion

The basic idea informing this article has been that the transgression of something that is currently conceived as a given 'fact of life' can be facilitated by showing both that what is, has not always been and, in consequence, need not always be in the future; and that what is, is internal not to an unchanging nature, but rather to politics or relations of power. In accordance with this, the article has showed that the problem of international competitiveness has a quite specific history of emergence and transformation internal to state and global forms of governance, and that the discourse of international competitiveness is currently at the centre not only of how state authorities conduct their business, but also how their conduct is shaped and manipulated by other actors in the world political economy.

The broader significance of this (re)problematisation of the problem of international competitiveness lies in its potential contribution to the opening up of a space of possibility for the state to become something other than a competitive entity. In this connection, the issue at stake today is not so much the absence of state conceptions that somehow run counter to the neoliberal one of the state as a competitive entity, as the hegemonic position of the neoliberal problem and discourse of competitiveness as such. If the latter is left unchallenged, as is the case in much of the competition state literature, then alternative state conceptions will unavoidably be assessed in terms of international competitiveness and, in consequence, stand little chance of prevailing in any but distorted and marginal ways.[83] Against this background, the historisation and politicisation of the problem of international competitiveness provided in this article can contribute both to make the concept of international competitiveness fall from its current grace, and increase people's

[80] Chris Philo and Gerry Kearns, 'Culture, History, Capital: A Critical Introduction to the Selling of Places', in Kearns and Philo, *Selling Places*, p. 3.

[81] Ibid., p. 4.

[82] Dick Bryan, 'Global Accumulation and Accounting for National Economic Identity', *Review of Radical Political Economics*, 33:1 (2001), pp. 57–77; George T. Crane, 'Economic Nationalism: Bringing the Nation back in', *Millennium*, 27:1 (1998), pp. 55–75; Tore Fougner, 'Economic Nationalism and Maritime Policy in Norway', *Cooperation and Conflict* (forthcoming, 2006). Ben Rosamond, 'Imagining the European Economy: ''Competitiveness'' and the Social Construction of ''Europe'' as an Economic Space', *New Political Economy*, 7:2 (2002), pp. 157–77.

[83] Alternative state conceptions are effectively transformed into versions of the neoliberal competition state, and their normative ideals and objectives are at best rendered secondary to and derivative of the never-ending quest for improved competitiveness. An important case in point is the earlier debate on the extent to which the welfare state could compete, and subsequent third-way efforts to transform such states into competitive 'social neoliberal' ones. Alfred Pfaller, Ian Gough and Göran Therborn (eds.), *Can the Welfare State Compete? A Comparative Study of Five Advanced Capitalist Countries* (London: Macmillan, 1991). On 'social neoliberalism', see Colin Crouch, 'The Terms of the Neo-Liberal Consensus', *The Political Quarterly*, 68:4 (1997), pp. 352–60; Philip G. Cerny, 'Neoliberalism', in Martin Griffiths (ed.), *Encyclopaedia of International Relations and Global Politics* (London: Routledge, 2005).

receptivity to both existing and prospective alternatives to the neoliberal conception of the state.

With regard to the prospect of the state becoming something other than a competitve entity, an opening might also follow from how the state has been shown to be constituted as a three-headed troll that is competitive, disciplined *and* sovereign within the context of contemporary efforts at neoliberal global governance. As sovereign entities, states retain the option to put an end to capital mobility, and thereby both reverse the power relationship that currently characterises their relations with transnational capital, and deny non-state actors the opportunity to act upon and manipulate their conduct at a distance. The key point to note, however, is that the hegemony of neoliberalism as a rationality of government has led states to practice sovereignty in a way that effectively subjects them to such external discipline and governance – this, by engaging in efforts to constitute a global marketplace. Moreover, neoliberal global governance is considered such a precious undertaking today that state authorities have voluntarily, if not proactively, adapted to it by both exercising a high degree of self-discipline, and acting on themselves and their populations as competitors in a global market for investment.

While an understanding of the state as an externally disciplined entity has the potential to stimulate popular opposition and resistance to contemporary forms of neoliberal global governance – in part, because many people simply do not appreciate being forced to do things that they otherwise would not want to do – this understanding seems at present to be much less prevalent in the popular imagination than the one of the state as a competitive entity. Given both the seemingly ahistorical and apolitical nature of the problem of international competitiveness, and how the quest for improved competitiveness can rather easily be represented as part of a positive national project, this situation can be claimed to inhibit the emergence of more broadly-based popular resistance.[84] Against this background, the (re)problematisation of the problem of international competitiveness provided in this article can contribute to delegitimise attempts to rally people behind national competitiveness projects, and provide additional stimulus to popular opposition and resistance to contemporary efforts to constitute a global marketplace.[85]

In the final analysis, however, the possibility for the state to become something other than a competitive entity is likely to depend also on a more general de-hegemonisation of neoliberalism as a rationality of government. The reason for this is that the constitution and governance of the state as a competitive entity is most properly considered as integral to a more comprehensive process in and through which subjects of various kinds are thus constituted and governed in all spheres and at all levels of social life. As of today, economic logic has so successfully colonised human thought and conduct that it seems unlikely that decolonisation related to

[84] This stress on opposition and resistance to neoliberal global governance being limited as of today is not to deny that 'neoliberal globalisation [has come] under more and more intellectual and political attack.' Iain Watson, 'Politics, Resistance to Neoliberalism and the Ambiguities of Globalisation', *Global Society*, 15:2 (2001), p. 201.

[85] While such opposition and resistance can lead to a reconstitution of the state as a non-competitive entity, it can also lead to a more fundamental reworking of political practice and community as we know it. On the relationship between resistance and the political, see contributions in *Antipode* (Special Issue on 'Alternative Geographical Imaginations'), 36:5 (2004); Barry K. Gills (ed.), *Globalization and the Politics of Resistance* (Basingstoke: Macmillan, 2000); and *Review of International Studies* (Special Issue on 'Governance and Resistance in World Politics'), 29 (2003).

states and interstate relations can be achieved if the logic as such continues to reign almost supreme in social life more generally. Considered in this broader context, the present article makes but a modest contribution to more comprehensive efforts aimed at enabling individuals and collectivities alike to break free from an increasingly imperialistic neoliberal governmentality.