José Reis

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The State and the Economy in a Period of Globalization*

I could begin by telling you that my purpose here today is merely to give an account of the route I took through economic theory when I wanted to find some useful support for an interdisciplinary discussion on the State and its roles in the economy.

In fact, however, what I am going to propose to you are four principal themes for debate. I intend them to suggest that today, in contemporary economies subject to intense processes of globalization, the State is an important analytic object and one central arena of socio-economic life. Thus, I am going to make a general supposition contrary to many current ideas that take the nation-state to be suffering a profound and irreversible decline.

My first point is to try to demonstrate that the State, public policies, and collective decisions are not easy domains for contemporary thought to appropriate in spite of the enormous legacy of ideas that is available. And the main deficiency is in economic theory. Thus, my first question might even be: why is it that the economic science lacks an autonomous, duly-recognized discipline—the "political economy of the State"—a discipline capable of accounting for the obvious evidence that the institutional regulation of contemporary economies exists? To answer this, I cannot avoid taking you on a small "excursion" through some issues at the heart of economic theory.

The second point is to assert that, in a necessarily competitive intellectual environment animated by rival theses, it is possible to defend a critical, yet positive, position in regard to the State in today's economies, inasmuch as what I have just said is recognized; that is, that economic regulation relies on the strong presence of state-regulated institutions and not merely on that ethereal and often fictional construction — the market.

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Thus, a demonstration of how the State plays a central role in contemporary economies needs to be added to the theoretical debate. I believe that a close analysis of public expenditures contributes to this objective. This is my third point. I believe that I can demonstrate that the way public expenditure is carried out reveals various forms of calculation, various institutional networks, and the complexity of the state apparatus itself and its relations to civil society.

Finally (point four), since I know that it is not possible in this lecture to address all the arguments (whether theoretical or practical) that challenge the schema that I am presenting, I will be proposing an idea about the importance of the role of the State in a period of globalization of the world economy, in the knowledge that it is precisely this phenomenon, globalization, itself that is most often invoked as justification for the ineluctable weakening of the nation-state.

1. A brief "excursion" into economic theory

In general, two main dilemmas pervade the legacy assembled by the social sciences in regard to the State. The first concerns the possibility of conceptualizing the State as an object in its own right without falling into statist theories or remaining confined to social determinations. What, in fact, is the State? Is it a distant closed apparatus, producer of a specific operational logic, self-centered, cynically guided by the power interests of those that carry out the political administration of society? Or is it only an emanation of society, a simple social product, dependent on relations of force or even on the compromises that establish the social equilibriums on a non-statal or pre-statal level? Answers to these questions distinguish state-centered and society-centered theories[1]. But an adequate appreciation of the role of the State in today's economies requires perhaps an intermediate position.

The second dilemma can primarily be seen in what I would call "economic quasi-theories of the State," principally in those that comprise main stream economics. This dilemma is not substantially different from the previous one, but differs only in its formal expression. When the field is limited to conventional economic theory, this is a question of whether it is possible to have a theory of collective action while at the same time maintaining the assumptions of methodological individualism that prevail in the discipline. It is along this line that I will be looking to investigate to see which contributions allow for a fuller appreciation of the place held and the roles played by the State. I should acknowledge at the outset that my assumption is that the economy has a very weak capacity to confront the State, and the problem it faces is that of reinforcing its interpretive models. For what is of interest to us here and in the context that I am

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[1] For two examples of this type of view, cf. E. Nordelinger (1981) and J. Dearlove (1989).

discussing, I am going to appeal to three authors (K. Arrow, J. Buchanan and R. Coase), all of whom have been awarded the Nobel Prize in economics, in order to recall what I think will be some of the most sophisticated attempts in economic theory to understand the processes and behavior that bring us to the threshold of the question of the State[2]. What is principally at stake is the formulation of supra-individual decisions, and thus I will take into account the discussions of collective choices, the ability of individuals to establish constitutional options, and the institutional coordination of decisions.

1.1 Limited knowledge, bounded rationality and the impossibility of a social welfare function

The contribution of Kenneth Arrow (1963) is well-known for its attempt to relate the individual (individual preferences) to the collective or social. This attempt is part of a highly formalized discussion of the possibility of establishing a social welfare function. The issue here is to know whether individual preferences can constitute the basis for collective choice; whether if the former were specified the latter would be fully determined. The characteristics formally attributed to individual preferences will, however, make the determination of the social welfare function formally impossible. This conclusion is discussed by Amartya Sen (1970: 2-5), who prefers to consider not "insular economic man" but that the formation of individual preferences itself already contains a concern for other members of society (the nature of society counting, therefore, from the start). James Buchanan (1987:16; 1989: 32), in contrast, denies the importance of any discussion of a social, collective measure in the assessment of individual utility.

Arrow's "solution" for his *theorem of impossibility* is highly interesting: it starts from the fact that the market is an "ethereal construct" demanding "modest amounts of information" and that the grand problem for economics is its poor understanding of uncertainty and its difficulty in "modelling ignorance" (K. Arrow, 1974a: 1-3). The fact of "limited knowledge" and the impossibility, in terms of welfare economics, of "a completely consistent meaning to collective rationality," point to "organizations as a means of achieving the benefits of collective action in situations in which the price system fails" (K. Arrow, 1974b: 33), or to a solution that "clearly operates better in an institution, such as the government, designed to give some scope to express altruistic interests" (ibid.: 25). Herbert Simon's proposals in regard to "bounded

[2] It is obvious that this "exercise" could include other authors as well: Herbert Simon and Douglas North, who are also recipients of the Nobel Prize in economics, come to mind immediately. I am limiting myself to these three for reasons of conciseness and of the "itinerary" of the work: it is in these and others that I was detained in this phase of research. Since their names are highly representative, I have not hesitated to turn them into principal references. But I do not want to limit the field within these "borders". In addition, it is worthwhile emphasizing that the procedure that I am adopting favors the identification of *theoretical problems that converge* with the question of the State and not the *application* of economic analysis to the State. If the latter were the case, analyses like those of Nicholas Barr (1993) or Joseph Stiglitz *et al.* (1989) would be relevant, but I will not be dealing with those here.

rationality" and "administrative behavior" (which I will not discuss here) are very close to this version of rationality and organizations.

1.2. Constitutional economics and public choice

In its radical individualism and its hyper-subjectivism, the language of James Buchanan—the founder of constitutional economics— is formally very elegant, in spite of all the opposition (merited in my view) it has received because of its extreme conservatism. It was A. Sen (1970: 25) who said that, from its most essential presuppositions, it is above all a theory of the *status quo*. I think that it is possible to sum up the essential elements of its principles in a phrase. For him and for his discipline, "the autonomous individual is not only presumed to exist: this individual is also presumed to be capable of choosing among alternatives in a sufficiently orderly manner as to allow a quality of rationality to be attributed to observed behavior" (J. Buchanan, 1991: 15). Constitutional economics is distinguished by this itself, by the fact that, in contrast to conventional economics, it finds that individuals are also capable of choosing the restrictions within which they act. These choices are constitutional choices, which produce constitutional delegations and give mandates. That is, in spite of the rejection here of any scale of separate utility for individuals (the social welfare function referred to above), super-individual (constitutional) choices are attributed to people. It is in this that the quasi-legitimacy of the States resides: there are "justificatory arguments in support of the institutions of the welfare state, at least in abstract, and independently of any prior considerations of implementation." This happens "if we can think of that institution as having been approved, in principle, on some agreement in a hypothetical contract in which all persons participate but when no person is able fully to identify his or her role under the operation of the institution so approved" (J. Buchanan, 1988: 10). This is a calculation of the uncertainty that brings individuals to "concede" constitutional authorizations. But the conditions of methodological individualism quickly begin to treat this conceptually possible state as an entity with a perverse practical behaviour, with an enormous propensity for over-extension, and, therefore, with a propensity to negate the legitimacy of authorization given it by individuals. The public choice school consists largely in such an analysis[3]. The public choice school is a perspective that

[3] The *public choice theory* is presented as an application of economic instruments to politics. It is one of the economic instruments of the methodological individualism that is dealt with, since it is the behavior of "individual actors as bureaucrats in the government sector" that is in question. Its main objective is very precise: to offer a perspective on "government failures" identical to that offered by welfare economics in regard to "market failures". In this sense it represents a view of "politics without romance" (J. Buchanan, 1984), that is, a skeptical view of what governments can do. The theory of bureaucracy (which together with the theory of the vote and of electoral competition form the theoretical body of *public choice*) attempts above all to explain how governments exceed the limits of legitimacy. For an introduction to public choice theory, cf. the collections of James Buchanan and Robert D. Tollison (1972 and 1984) and of Charles Rowley (1993) or Alan Peacock (1992) and William Mitchell and Randy Simmons (1994).

converges totally with state-centered theories, especially those developed in political science, according to which statal action and rationality do not end up as anything more than the "parallelogram" of weighted preferences and interests of its agents. It is in the face of these views, elaborated when political science asserted its ability to study the State and its constitutional order, so affected by sociological influences that in the extreme they give rise to society-centered theories, that political sociology itself has had to reorganize its view of the State, returning to the first dilemma I spoke of.

1.3 Transactions costs and the new-institutionalism

With Arrow and Simon we have organizations to overcome individual limitations of knowledge and rationality to overcome the formal impossibility of a social welfare function. With Buchanan we do not have anything, or worse yet, we have a State that is always perverse and individuals who are always irreducibly subjective. It is obvious that by beginning with the former thinkers economics may find a route through the world of today's economies. There is a route that has been taken in the direction of understanding the institutions of the economy. Ronald Coase opened it when he found it necessary to show that access to the market—the site taken to be totally transparent by conventional economics—does in fact have costs. The real world it will be said is a world of positive transactions costs, and this fact will imply supplementary, or even substitution co-ordination tasks of the market, tasks which are directly fulfilled by "this small planned-society" of market economies which is the firm. "There are costs of using the pricing mechanism. What the prices are has to be discovered. There are negotiations to be undertaken, contracts to be drawn, inspections to be made, arrangements to be made to settle disputes, and so on. These costs have come to be known as transactions costs." "Their existence [that of positive transaction costs] implies that methods of co-ordination alternative to the market, which are themselves costly and in various ways imperfect, may nonetheless be preferable to relying on the price mechanism." And these positive transactions costs have "pervasive effects": "In fact, a large part of what we think of as economic activity is designed to accomplish what high transactions costs would otherwise prevent or to reduce transactions costs so that individuals can negotiate freely and we can take advantage of [the] diffused knowledge" (R. Coase, 1994: 8-9).

It would appear that this route could take us a long way in the analysis of economic institutions. But in fact this is not the case. "New institutionalism" has limited itself to viewing "economic institutions" only in terms of the firm and entrepreneurial hierarchies, and what for Coase were alternative paths to the market are for others (O. Williamson, 1975 and 1990) merely complementary. This is a case of a path that, in spite of its name, has led us far from an understanding of the State. That is because this "new institutionalism" never had anything to do with the old American institutionalism, based as it was so much on an identity of resistance to neoclassical thought. "Institutionalism is not the economics of static efficiency and market equilibrium. Institutionalism is the economics of cultural evolution and social provising. Institutionalism is the study of dynamic processes," says one of the defenders of "old institutionalism" (W. Dugger, ed., 1989). This is certainly a good route to take and a good combination of challenges to dare to meet. But now is not the time to carry out this task.

2. For a positive, critical view of the State: overcoming conventional economic theory

The arguments I have discussed suffice for us to conclude that, in order to speak of economic institutions, we have to speak of something more. The results of this "flying visit" to some of the strongest traditions in economics are not enough for us, even when we are in the company of the Nobel laureates I have cited, and we could still add the name of another, Douglass North. What emerges immediately (and I am aware that I might be engaging in an excess of erudition in regard to the theoretical references that economics offers us today) is an allusion to some of the contemporary thinking that I think will be highly useful for my objective. I am going to use these references to try to reach a critical yet positive position in regard to the State and its relations with the economy.

For this purpose, my first suggestion is that the State be assumed as an entity that strategically organizes society on the basis of a large measure of autonomy. It is an entity that is, however, highly dependent both on its social legitimization and the contextualization of statal practices in connections with citizens and other institutional orders. That is, the State is obviously *the-institution-of-institutions* (this is the result of its autonomy), but it plays its role in conjunction with other contexts. It is due to this that the State-citizen relationship is not entirely a direct, but is in large part, a mediated relationship. And it is this fact that produces complexity—whether that of conflict or that of the relations of legitimacy between the State and citizens. This institutional coexistence is the very expression of the mutual adaptation of the State, society and the economy.

To support my arguments, I am going to call on theories of neo-corporativism and the French school of regulation (which obviously have different analytical aims). This conjunction is justified for at least two intimately interconnected reasons: institutions are relevant in the analysis of socio-economic phenomenology and, in addition, are a source of current diversity in economies (a contrary thesis, however, to that which predominates in "convergence" hypotheses); the regulation (or the *governance*) of these economies takes place via a plurality of institutions— the market, business hierarchies, the State, informal networks and associations—

and economic "performance" depends precisely on these "governance regimes" (J. Hollingsworth, Ph. Schmitter and W. Streeck, 1994: 3-7).

According to the neo-corporativist theories, an adequate understanding of the social order requires that we understand that in addition to the community, the market, and the State there are regulating collective agents which act as interfaces between these three traditional pillars of social organization, thereby multiplying the seats of power and making institutional life more complex (W. Streeck and Ph. Schmitter, 1985). Regulation theory considers that, "in contrast to the derivation of behavior that is invariant over space and time" (the axiomatic invariant established in the notions of rationality and equilibrium), the economic behavior in modern economies depends on "a population of large organizations that utilize capital and labor according to principles that do not have direct relations with the market". The notion of the accumulation regime, central to regulation theory, permits it to "analyze the impact of certain fundamental institutional forms on the rapidity and stability of growth" (R. Boyer, 1994: 20--22).

The level of debate where we now find ourselves has little to do with conventional welfare economics. Thus, I am proposing that we "secularize" our notion of the State, leaving mythical versions of constitutional economics or the highly formal debate over collective choice and the construction of a social welfare function. The State that we want to discuss must be seen principally "as a complex ensemble of institutions, networks, procedures, modes of calculation and norms as well as their associated patterns of strategic conduct." In addition, we should not neglect "how the fragmented structure of the state affects its capacities to engage in economic management or crisis-resolution and, conversely, how its *sui generis* dynamic and the structural legacy of institutionalized compromise mean that it has a certain inertial force" (B. Jessop, 1990: 315).

It must not be forgotten as well that the State, being an "invariant element" of the capitalist order, has contingent forms in accordance with space and time, and that the State itself is transformed and adapted. (It is simultaneously the agent and the object of regulation.) This is what produces the mutability in and absence of pre-defined borders between the State and other organizations as well as "civil society" in general.

It is thus assumed that the State does not have an inherent "substantive unity," because it is not internally coherent or "organizationally pure." Not being a direct agent of one interest group and creating its own logics, the State is, additionally, not accessible to everyone, because it acts with a "strategic and structural selectivity": the roles and importance of the State vary with the objects it regulates. The subjectivity of state action exists and depends on social forces, political tendencies, partners and agreements, that is, on the ways that State action take effect.

Moreover, the functions of this State in the economy have to do with macroeconomic regulation, but to a substantially larger degree than that attributed to it by Keynesian macroeconomics. At the risk of appealing to over-general concepts, I will say that the most obvious assumption in the study of the relations between the State and the economy is that it fulfills the functions of the reproduction of the economic system: that is, on the one hand, the State contributes to the stability and coherence of the existing system of accumulation (which means actions that authorize the framework for production and consumption, the general patterns of economic behavior and a determinate relation to social agents); and on the other hand, it assures the functions of institutional integration and social cohesion relevant to the functioning of the economy. It is a State that regulates the economy (when it is the coordinator of macroeconomic relations that stabilize the regime of accumulation), and a State that produces social cohesion and institutional coordination (when it is administrator of social policies and mediator and partner in relations between economic and social actors). There are two spheres of State action in the economy that we can immediately identify. But its presence is not limited to these. In fact, many state actions are the public provision of goods and services or the public provision of the personal means for the exercise of the rights to subsistence. This means that the State guarantees fixed social capital, provides services and creates revenue through transfers of money or *specie*. In addition, the State has an administrative apparatus through which it is a job-creating agent. All these functions are represented in public expenditure. And public expenditure today in many economies is a highly significant percentage of GDP. As a result, it is legitimate to say that one of the principal facts in the relation of the State to the economy is its very presence *in* the economy through the resources that it mobilizes in the form of expenditure.

It is this State and these types of relations between the State and the economy that are today undergoing massive transformations. I would emphasize, transformations, not necessarily decline. Why? Because what were before the demands of a Keynesian State are today the demands of what we could call a Schumpeterian State. This almost metaphorical distinction means that the Keynesian State was one which "economically, [aimed] to secure full employment in relatively closed national economies and to do so primarily through demand-side management; [that tried] to adjust demand to supply-driven needs of ... mass production with its dependence on economies of scale and full utilization of relatively inflexible means of production; [that tried] to regulate collective bargaining within limits consistent with full employment levels of growth (and thereby reinforce effective domestic demand), and so promote forms of collective consumption favourable to the [...] mode of growth" (B. Jessop, 1995: 17).

The State in economies which were relatively closed to the international context and the State in economies whose methods of production and consumption exemplify those of the so-called period of fordism (this State which could well be called Keynesian) is obviously not the State we see regulating the economy today. The economic model has changed, social structures have changed, the labor market has changed, and the international economic context has changed. But does this mean that the role of the defined State has diminished and is tending to disappear? Let's see what is meant by the references to the Schumpeterian State. As you know, Schumpeter, the Austrian economist who left a remarkable body of work in the first half of this century, is cited specifically when one wants to talk about innovation and the organization of the capacity of initiative in the supply side of the economy.

Here the State appears now on the "rebound" from fordism as simultaneously uninterested in the stability of the labor market and wage relations, unconnected with a national base of components of the system of accumulation, and removed from the institutionalization of conflicts and negotiation of the social pact. But this is not a State without profound relations to the economic configuration. It has relations which are perhaps more profound than those represented in the fordist State. "The transition from fordism to post-fordism involves an extraordinary contradictory process of autonomization of the state. Its dependence on the development of the world market, international economic regulatory institutions (e.g. in the framework of the European Community) as well as the deepening of state monopoly complexes in the field of new technologies goes hand in hand with an exclusion of previously institutionalized interest relations, especially those involving the working class" (J. Hirsch, 1991: 74).

3. The structure of the State and public expenditures

Allow me now to briefly summarize the points I have mentioned which seem useful to me for an analysis of the presence of the State in the economy. We are now dealing not with theoretical points but with some data in order to operationalize a view of the way the State is presented in the economy and, above all, of the importance of public expenditures. We are talking about the autonomization of the role of the State and we are talking about the composite nature of the State (a complex ensemble of institutions, networks, procedures ...) and of its fragmented structure .... It is clear that we are talking about the substantive functions of the State. But does this mean anything in regard to public expenditure as well? Is public expenditure important as empirical evidence of what has been said about the State?

I will only be able to advance some quick and necessarily superficial answers. Notice the following table.

Public Expenditures (1990-92)

		In percentage of total expenditures					
		Demand		Organ.of	Social	Transf.	Direct
	PE/GDP(%)	Goods/Serv.	Employ.	Ec. Act.	Cohesion	Subs.	Expend.
USA	25	27	10	9	47	55	45
Germany	33	33	8	9	67	57	43
Portugal	42	34	26	-	47	42	58
Spain	34	21	16	11	50	60	40
Sweden	46	15	6	10	61	75	25

Source: IMF, Government Finance Statistics Yearbook

Let's look at the question (which I would like to emphasize) of the autonomization of the role of the State. There is a high degree of public expenditure in the GDP in all these economies, especially in the European economies. In addition to this, it has been maintained or even expanded under conservative governments (the USA under Ronald Reagan and Portugal in ten years of power held by the Right), and this has been in periods of a great deal of anti-state rhetoric. Isn't this a good indicator of the growing autonomization of the State in the economy? And isn't the weight of the State in the economy as the purchaser of goods and services or an employer going in the same direction? On the other hand, it appears very clear that, in any type of economy, the fact of public expenditures being directed to what we could call social cohesion accentuates the leading role of the State in today's economies from the perspective of the allocation of budgetary resources.

It is not only the global weight of public expenditure that is important, but also the way it is carried out. From my data, what I think is most interesting is that they show that a growing part of State expenditures is carried out not directly but through transfers to other public organizations that have logics of action and calculation different from those that we have traditionally attributed to "the State." Isn't this an indicator of the autonomization of the State running parallel to its increasing complexity as an apparatus and with the diversification of its logics of calculation?

I think that these are processes that make it difficult to confirm the idea of a declining role for the State in the economy. (And notice that we have not been speaking of, nor is it my purpose to speak of, questions like the public business sector or the debate about the nature, public or private, of property—this is not what is in question here.) There is yet another argument that goes along with this idea of the centrality of the State. This is something that is not quantifiable. On the contrary, it is profoundly non-material: it is the role of the State in the institutionalization of conflicts, in the connection between economic and social actors. I would like to add to this role in the form of a brief survey a few others: those that have to do with the formation of collective entities, with contractual relations, with organizing, or with the state role in the creation of external economies. These are questions that the limited time of this conference does not permit me to develop here[4].

4. Nation-states as organizers of globalization

Allow me to move on to the last point. I said at the beginning that since I could not confront the various rival views to the position that I am presenting, I would at least treat one: the view that presumes a great diminution of the role of the State in the face of the evolution of contemporary capitalism, principally in the face of the phenomenon of globalization.

I have already called your attention to the fact that, in all the developed nations, increasing internationalization culminates in the State's ceasing to be an actor in closed economies with self-centered growth, in order to situate itself in the dominant context of businesses themselves, the international context. In addition, it is this that has helped to define the passage from a Keynesian State (concerned with economic objectives like full employment, growth, stable prices, and a healthy balance of payments) to a Schumpeterian State (more concerned with the configuration of international relationships and technological innovation). It is a question ultimately of moving from the management of demand necessary in a model of mass-production like fordism (a supply-driven model which only required the maintenance of high levels of demand), to involvement with the supply side itself and with what it represents in international competitivity (which implies subordinating the policies of welfare to the, often unquestioned, imperatives of increased flexibility). For several reasons, above all when questions of the labor market and social policies in general are left in the background, it is a matter, as Bob Jessop says, of the passage from a welfare state to a workfare state. Jessop is pointing to the fact that the wage relation has deteriorated and the position of labor is much weaker.

But in addition to this, it is clear that the increasing internationalization of the economy brings with it a much more highly accentuated linkage of scales of space, involving the nation-state itself, the regional sub-national level (where direct relations between businesses of the globalized economy are often located) and the global level. Often agents of globalization are limited to transnational companies and the huge international agencies. I think, however, that the State is also an active director in the spatial relations I am referring to. It is such an actor in its sub-national spaces, but it is also one in its supranationality, so it is worth taking into account that one of the principal modes of achieving globalization is by means of the formation of regional blocks in the world economy. I am talking about supranational regional blocks of

[4] For further development of these questions and the data on public spending, cf. J. Reis (1995).

supranational regional integration. It is here that I believe the nation-state is not the only scale on which these processes are managed, as it seems clear to me that the State has begun to assume a new, very powerful role as the agent that creates spaces for integration in the global economy.

We thus have another dimension of the State to highlight: its role when it manages spatial conjunctures in the economy when it is an active agent in the formation of regional blocks on the world scale. It has already been sufficiently demonstrated that globalization and the formation of regional blocks are not incompatible processes, the latter perhaps being the way of realizing the former. At present, nation-states may be too "small" for the process of globalization. In fact, they are frequently referred to as entities that have been left behind by globalization. But they are after all entities without which the "regionalization" of the world economy would not be possible. Regional blocks are aggregates of nation-states and their formation assumes formal pledges, with free trade zones, customs unions, common markets, etc. Between the world-economy and the nation-state, regional blocks emerge as well as State creations.

European integration is a good example of what I mean. Along with the United States and Japan, it is one of the three most powerful spaces in the triad that dominates the world-economy today: of the three, Europe is unique in its supranational nature. It is clearly the creation of nation-states and, as such, one decisive element in the globalization of the economy. It is sufficient to say that the popularization of the term *globalization* itself is practically co-temporal with the achievement of the aims of the internal European market.

5. Conclusion

The four points that I have proposed are not enough for the construction of an economic theory of the State, but that was not my intention. They certainly do contain some powerful ideas that I want to take as my principal vantage points on the relations between the State and the economy. In fact, I think that the State is not just a central element in economic regulation, since it is indispensable in assuring the coherence of the economic system and social life. This importance derives from the fact that the organization of modern economies has implied an intense autonomization of the State, which can be seen both in public expenditures and in the many areas in which the State intervenes in economic life today. I think that with the varieties of different economies there is, in fact, a general principle which links the State to the central points of economic innovation (among which are the economics of information, contractuality between economic actors, and the organization of interfaces between the public and the private). In addition to this, I think that today in economics the area of international economic integration (one of the instruments of globalization) is the center stage of State action (whereas previously center stage was mainly occupied by the organization of war and peace). Let me formulate things as follows: Leaving aside statal contradictions and incoherences and only looking at the positive side, I don't deny having arranged this paper on the basis of a persuasive rhetoric about the State.

All of this does not exhaust what economic theory has to say. The points that I referred to when I discussed what appeared to me to be the important landmarks for thinking about a "political economy of the state" represent only a "trip" through some points of interest and I hope they are useful in "illuminating" a field of debate that deserves to be developed. By way of conclusion, I would like to emphasize some final points.

The first is to concede, as an economist, that to the extent that economic theory has consolidated its foundations, it is not sufficient for an appreciation of the role of the State in economies. Either because it is too formalized and abstract (the debate over the social welfare function illustrates this), or because, when it is daring, it is too individualist and subjectivist (constitutional economics), or because it is reductive and mechanistic (public choice), or because it does not go beyond the price system and structures where production is co-ordinated (new institutionalism). But I have certainly not proposed this talk in order to "castigate" economics. I have done so in order to know what we might count on and to recall some of the unavoidable waystages in the discussion I am proposing. The individual/collective relation is one of the questions that economics rarely ignores even when it does not properly resolve it. And, in addition to this, it is one of the points that is present in all debate in the social sciences. The question of the co-ordination of decisions is another topic of a general order that has merited multiple developments, from macroeconomic theory to game theory or to the modern theory of conventions. The dualism, convergence/diversity, of economic performance (an issue for which institutions are decisive) is a problem of the same nature.

The reason that an economic theory of the State is not available is doubtless due to the very foundations on which economic theory rests. But this lack is also the fruit of a current phase (in which the argument over globalization is crucial) which is largely characterized by provisional proposals in an attempt to identify a very changeable socio-economic reality. In spite of the great vitality of the new Keynesianism, we are neither living with a Keynesian hegemony today nor with the validity of a socio-productive model that would justify this unity of thought. And it is well-known, as I think I have shown, that when we speak of innovation it is principally to speak of the unknown.

It is for this reason that many of the formulas that we use to try to capture the reality of State/economy relations are slippery, and it is worthwhile acknowledging this. Here is an example from the regulation school: "the relation of the State to the economy is the product of mutual adaptation by means of the invention of institutional forms of a given limited duration appropriate to their co-existence" (B. Théret, 1995:66). This is certainly well-intentioned, but the results are scarce.

In the knowledge that the area is a minefield of such difficulties, let me point to some safe spots. In contrast to what was the case a short time ago, there is no difficulty in claiming that there is sufficient justification for us to dismiss the idea, which is so dear in some economic currents, that to discuss the State is to discuss the existence of an optimal State. Such a thing obviously does not exist. In addition, we know enough to say that the State is not a simple, totally instrumental derivation of the requisites of capitalist production. And there are good reasons to criticize the postulates of the intrinsic perversity of the State. If these are the advantages acquired in the debate over the State, what then are the proposals for going a bit further? They are proposals that are not above criticism and it cannot be hidden that there are more research programs than there are definitive results.

Let's see what they are.

—The State is central, because, in economic organization today, anything that has to do with information, with the economics of innovation and with external economies is very influential: Research and Development programs, relations between universities and business, and the bases for transnational science and technology policies are part of public policies today[5].

—For the previous reason, contractuality is the main form of relations among economic actors and this contractuality is encouraged and guaranteed by the State: collective economic actors like business associations, interest groups, local development agencies or productive, commercial or technological partners, and the very decision of the locating of a business occur within a framework of important economies of information and the way in which all this takes place cannot be reduced to simple bilateral market relations, the "operating instructions" are contractual and they are almost always subordinate to public policies.

—Both the economies of information and innovation and contractuality have greatly reshaped the role of the State in modern economies and have given the State apparatus a diversity and complexity hitherto nonexistent. The State is not only the government and its agents; there are multiple agencies and institutions, many of them bordering on the public and private spheres, and often, as happens in my country, what appears to be autonomous civil society would not exist without the State[6].

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[5] Cf. José Reis and Rui Jacinto (1992).

[6] Cf. Boaventura de Sousa Santos (1993).

—The protagonism of economies at the international level (the level of globalization) is not only managed in the context of supranationalities created by the State; the performance of nation-states depends also on collective entities that are not created without the active role of the State in the economy: in Portugal, and I am certain that the same thing is taking place in Spain, the economic history of the past decade has had to cross a threshold — in the way that their respective governments have been the intermediaries of European public policies and reordered their national infrastructures and the behavior of their economic agents, which, on the other hand, act increasingly as collective agents, that is, from an institutional perspective.

—At the national level, there are two main consequences of the globalization of economic organization, in each of which the State is decisive. One has to do with the revitalization of local economies and local systems of production; the other has to do with the creation of strong , modern, urban economies. It is often said that the global and the local are two sides of the same coin and that the reinforcement of the one implies the reinforcement of the other; the global and the local are also two sides of the presence of the State in economic regulation, even when it is recognized that whether they are global actors or non-state local actors they are highly visible on an increasingly crowded set.

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