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Globalisation and public policy: bridging the disciplinary and epistemological boundaries

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ABSTRACT

Globalisation, the ever increasing economic and socio-political international interactions, poses challenges to public policy theory and practice. This paper aims to (a) draw an outline of a discussion and research agenda for theorizing the policy process under globalisation, by (b) identifying some theoretical consensus across disciplines and epistemological paradigms. The literature shows a consensus on ‘constrained’ state thesis and that globalisation affects all states through structural pressures as well as the neoliberal discourse. However, policy outcomes vary across states depending on their position in the international power structure and domestic adjustment costs. The paper concludes that policy studies shall focus on the changing functions and organisational forms of the state and explicitly incorporate domestic–international interactions into the theories of the policy process.



KEYWORDS

Globalization; international political economy; comparative political economy; public policy process; epistemology

Introduction

Globalisation, the ever increasing economic and socio-political international interactions, poses challenges to public policy theory and practice. This paper systematically reviews the select literature on globalisation and its effects on the policy process and outcomes. The aim is to identify some theoretical consensus across disciplines and paradigms and to draw an outline of a research agenda for theorizing the policy process under globalisation. Such an interdisciplinary and inter-paradigm discussion within Policy Studies (PS) is called for and timely (Farrell & Newman, 2014; John, 2018).

Globalisation has brought to the fore fundamental contradictions of the modern state and capitalism, what Rodrik (2012) termed ‘globalisation paradox’. The trilemma is generated because only two of the following three can be reasonably achieved; (a) economic integration of the state into the world economy, (b) consequent challenges to policy sovereignty of the state, and (c) democratic socio-political demands of the citizens of states. From a political economy perspective, globalisation has grown at the cost of state sovereignty and democratic demands of its citizens for the most part of the post-Cold-War era. From a public policy perspective, policy making is continuously being shifted downwards, outwards, and upwards under devolution, privatisation/deregulation, and internationalisation, respectively (Bevir & Hall, 2011; Jessop, 1993; Peters,,

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1994). In other words, the state is transforming, from a political and territorial vanguard of a community of people to an organising and steering manager of an internationalised economy under the competitive logic of global capitalist production.

In that, we observe a simultaneous working of seemingly contradictory trends such as the fragmentation of some (industrial, labour, social policy, decentralisation, privatisation, and devaluation of public administration) and the integration of other socio-political and economic functions (security, growth and competitiveness, fiscal austerity, and international regulatory standards) of the state (Cerny & Prichard, 2017; Jessop, 2013). Take, for example, the widespread notion of the retreat or hollowing out of the state, on the one hand, and protests against the increasing state encroachment upon every sphere of life, on the other. The rational-legal legitimacy of the state was boosted, if not replaced, by its capacity to ensure positive freedoms and social welfare in the post-war period. Under this social contract, the modern state has expanded and deepened its grip on society and individuals and yet at the same time it seems to be increasingly failing to deliver on its foundational political and economic promises of liberty, justice, and welfare (Przeworski, 2010).

Even if we exclude the developing and liberal developed states where welfare regimes were not very strong to begin with, the traditional welfare states are moving more towards innovation, flexibility, and competition compared with their erstwhile commitment to social solidarity (Howlett & Ramesh, 2006; Steinmo, 2002; Streeck, 2012; Thelen, 2012). Consequently, real wages have stagnated, inequality has been growing, and labour-supporting institutions have been under stress while capital has gained vast government support over the past three decades. A significant proportion of the population losses in the global competition and turns to nationalist, populist, and protectionist movements (Milner, 2019). The backlash against globalisation that we are witnessing across Europe and the United States, is an attempt to bring the state back in as a vanguard of a political community instead of a mere manager of internationalised economy.

In the above context, the task for policy students and practitioners, still adhering to Lasswell's (1971) ideals of 'policy orientation', is to fully grasp the extent and expanse of these larger social processes in which their practice and inquiry is embedded. Since we conceive 'policy science' as a problem-solving activity and 'policy movement' as a vocation to speak truth to power (Wildavsky, 1979), it shall not matter at what level of the government or through what kind of policy instruments problems are addressed. However, what matters is that how problems (and solutions) are structured and whose truths prevail on what grounds. Both these inquiries warrant an interdisciplinary approach, one that fully appreciates positivist and interpretivist contributions. However, the domestic and international interactions and their impact on the policy process remains weakly, if at all, incorporated in the theories of the policy process. Policy scholars acknowledge that the literature is 'still at an early stage' of theorizing about the national and international interactions (Ramesh, Howlett, & Perl, 2009, p. 77; Howlett, McConnell, & Perl, 2017). The literature 'is struggling to produce systematic and cumulative knowledge' with regard to globalisation and its impacts on the policy process (Dunlop & Radaelli, 2013, p. 600; John, 2018).

Historically, International Relations (IR), International Political Economy (IPE), and Comparative Political Economy (CPE) have been more attentive to growing national and international interactions than Policy Studies (PS). While some fundamental debates

continue within and between these disciplines, the scholars largely agree that globalisation is changing the nature of the policy process and putting pressures on domestic institutions. Despite such overlaps between their areas of inquiry, there is very little systematic dialogue between PS and IR/IPE/CPE while scholars from both ends have acknowledged a need to learn from each other (Andreatta & Koenig-Archibugi, 2010; Caporaso, 1997; John, 2018; Walt, 2011). Furthermore, epistemological divides have deepened over the years. Interestingly, there is a greater cross-referencing and learning within the same epistemological camps across disciplines rather than the other way round. Nevertheless, there are also calls from scholars on both sides to bridge the epistemological divide and develop a common language (Checkel, 1997; King, Keohane, & Verba, 1994; Shapiro & Wendt, 2005; Walker, 2010).

The paper aims to bridge these disciplinary and paradigmatic divides by identifying some consensus and drawing contours of the future discussion and research in policy studies with regard to globalisation and its impacts on the policy process. The next section describes the context of the debate and the larger social processes at play. The third section discusses the various ways in which globalisation is affecting the state and policy process. The fourth section discusses the varied ways, and reasons, in which various states have responded to the similar challenges posed by globalisation. The concluding section identifies theoretical, methodological, and practical implications of the contemporary developments and sets the direction for further discussion and research.

The context and larger social processes

There is a plethora of modern literature spanning over half a century that deals with economic interdependence and its consequences. It would have been a Herculean task to review this literature with any level of detail. Therefore, the approach adopted here is more modest, that is to review few of the seminal works in IR, IPE, CPE, and PS (see a list in supplementary materials). The review was followed by a search of key terms in the Social Science Citation Index (SSCI). I limited the search to 'title' only as including abstract/keywords brings about thousands of results. The search terms included (globalisation OR globalization) AND (10 research terms given in the Table 1).

Table 1. Summary of the literature assembled.

Search term	Articles	Search term	Articles
(Public policy)	17	(Commodification)	12
(Policy process)	6	(Stratification)	3
(Public administration)	10	(Coordination)	5
(Policy transfer)	7	(Varieties of capitalism)	6
(Policy diffusion)	24	(Welfare state)	80
Discipline	Articles	Paradigm	Articles
IR/IPE	60 (34%)	Positivist	92 (54%)
CPE	73 (53%)	Constructivist	55 (32%)
Policy Studies	37 (13%)	Unidentified/mix	23 (14%)
Position	Articles	Position	Articles
Constrained state	146 (86%)	Structure/organisation	76 (45%)
Autonomous state	17 (10%)	Process/discourse	56 (33%)
Retreating state	7 (4%)	Unidentified/both	38 (12%)

I divide the literature around two substantial theoretical questions; one, what are the sources and consequences of globalisation for states, second, if states don't respond to the pressures of globalisation in similar ways then what are the sources of these variations. The former is largely a subject matter of IR/IPE and the latter of CPE. I further divide the literature around epistemological dispositions, that is, positivism (in the Popperian sense) and constructivism. The main difference between the two in this context is an emphasis on exogenous and structural variables by the former and on endogenous and process variables by the latter. [Table 1](#) also subjectively classifies the literature into disciplinary and paradigmatic categories and their conclusion on the nature of the state and how the policy process is being affected, structural pressures or discourse.

Before we begin our discussion, following Lasswell's advice to pay attention to the larger social context and processes, I identify three contending views of globalisation in the literature. All three claim to have a positive approach while their detractors call them out on their normative agendas. Firstly, Marxism posits the inevitability of progress and modernisation. The critical role of capitalism, as source of modern globalisation and its consequences, was for the first time analysed by Marx and Engels ([1848] 2000) and described cogently:

The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilisation . . . It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilisation into their midst, i.e., to become bourgeois themselves. In one word, it creates a world after its own image.

While Marx appreciated the highly productive and positive role played by capitalism in the development, he also highlighted the dark side of its mechanisms, that is, ever increasing commodification of labour and social relations, stratification, exploitation and inequality, and booms and busts. This line of thinking continues to influence scholars today. A substantial literature offers theoretical fine tuning and empirical evidence to support this argument (Cox, 1987; Esping-Andersen, 1996; Strange, 1996). Marx further speculated that organised labour would eventually bring in a revolution, taking control of the commanding heights of the economy and distributing its fruits equitably. The state would wither away under workers solidarity and a deliberative global governance structure would take birth; and that would be the end of history as we know it. The task of the revolutionary movement (akin to the policy movement) was to prepare a theoretically informed and analytically equipped elite vanguard party that would lead and serve the working classes. One finds quite close parallels in the above and the policy movement narrative of Dewey (1927) and Lasswell (1971) (for a discussion on how Dewey's pragmatism inspired Lasswell's policy orientation see (Torgerson, 2017)).

In his seminal work *The Public and Its Problem*, Dewey (1927 [1984]) seems to be heavily influenced by the Socialist movement and its tactics. Like Marx and Lenin, he also believes that the task of 'enlightening' the public falls on the shoulders of experts (with a commitment to pragmatism, science, and democracy). He urges intellectuals to learn propaganda techniques to educate the public against the propaganda of conservative and socialist movements. However, unlike the Bolshevik democratic centralism, Dewey favours a direct dialogue between the public and the intellectuals. Nevertheless, both

Dewey's pragmatist and Lenin's socialist movement allude to lesser intellect and false consciousness of masses, and the critical role of intellectuals in educating and leading the public although towards different ends.

The second view is offered by globalism and its proponents (Carpio, 2019; Friedman, 2000) that is a mirror image of Marxist thought. Globalists also contend that the march of history is inevitable and is largely fuelled by exogenous developments in technologies. The efforts to resist globalisation (or reverting back to nationalism and protectionism) are futile at best and counterproductive at worst. According to Fukuyama (1992, 2004), there is no other option for the transition and developing countries but to embrace liberal capitalism and democracy under the Western leadership; the end of the Cold-War is 'the end of history', his retort to Marx. Others in the Western world are not so sure about the second and third world regimes, mostly non-democratic with state or crony capitalism. As a result, both hyper neoliberals and neoconservatives in the Western world argue for forceful regime change, enforcement of democratic norms and opening up of the hitherto closed economies (Kagan, 2008; Mead, 2005). In fact, a cursory look at the statements by the Clinton and Bush administrations show a significant influence of this thinking. According to this school, since the international system is anarchic, a liberal democratic powerful state, like the USA, can play the role of a benign hegemon monitoring and enforcing global regimes, as it has been doing in the post-War period (Ikenberry, 2011; Kindleberger, 1981; Ruggie, 1983). Again what we find here is the concept of a global vanguard elite that would lead the world towards liberal democratic capitalist society, by persuasion when they can and by force when they must (to use Clinton's words).

Huntington (1993, p. 51) puts it succinctly, 'the West won the world not by the superiority of its ideas or values or religion . . . but rather by its superiority in applying organised violence. Westerners often forget this fact'. Owen (2010), in his seminal work of over 200 historical cases, shows that global powerful actors have always interfered to change domestic regimes and institutions in other states, whenever these regimes were not in line with their perceived material and ideological interests. Nevertheless, it's not only the application of force by powerful global actors but also coercion, inducement, persuasion, and more importantly structural power that influences and often shapes domestic institutions and politics of other states (Drezner, 2007; Tilly, 1990), what (Gourevitch, 1978) calls the second image reversed analysis.

The emphasis on propaganda (or 'discourse' to use a modern and neutral term) to persuade masses is present in both Marxist and Liberal ideologies. Similarly, one finds tendencies towards the use of coercion, and even violence, in both movements. As I discuss in the following passages, this point is relevant and critical since the modern discourse on governance uses a language that reflects free market mores of competition and individualism more than the values of social solidarity. For example, the neoliberal discourse is epitomised in the adages, 'greed is good' or 'society does not exist only individuals do', used by the highest political authorities across the world.

Finally, there is a moderate and mainstream view of globalisation that appreciates its benefits and drawbacks. It is the mainstream view of globalisation that is going through crisis and begging new thinking and alternative pathways (Evans, 2008; Rodrik, 2012; Stiglitz, 2006). The contending debates continue within this camp about international regimes, a multipolar world, global governance, and democratic participation and

accountability. The works of Keynes on global policy laid the foundations of the post-War international political economic order, the Bretton Woods agreement, what Ruggie (1982) called embedded liberalism. The main tenants of this architecture included encouraging free flow of goods and capital, albeit with clauses allowing governments to regulate as they deemed appropriate. Countries were free to regulate their domestic industry and labour markets. A fixed exchange rate regime with dollar as reserve currency pegged to gold ensured stability and certainty in the system. In this international order till the 1970s, the International Monetary Fund (IMF) provided credits for economies facing current account deficits and the World Bank offered credit for infrastructure development.

The move away from the post-War embedded liberalism began in the 1970s with the Vietnam War, oil crisis, and a growing American balance of payments deficit due to the recovering Japanese and European economies. The USA unilaterally unpegged the dollar from gold which eventually gave way to the floating exchange rate regimes. The lack of economic growth in countries following the socialist central-planning with varied degrees, state-ownership, import-substitution, welfare regimes, along with ineffective and increasingly corrupt public administration further weakened the confidence in governments across the developing world (Beckert, 2020). The few small Asian economies, that registered impressive economic growth and transformation in this era, managed to do so by emphasising active government coordination of the economy, fiscal austerity, promotion of exports, and an adherence to general open market principles. The so-called Asian miracle, in fact, became poster child for the promotion of liberal markets.

Furthermore, the intellectual expansion of neoclassical economics into social sciences, including public administration and public discourse, bolstered the capitalist demand for the state to be at the service of capital and free markets. The then British Prime Minister Thatcher and American President Reagan promoted and put these ideas into practice, what came to be known as the Washington consensus or neoliberalism (Monbiot, 2016). The IMF and WB began to promote the neoliberal policies under their structural adjustment programs, such as, privatisation and deregulation, free flow of capital and goods, market determined exchange rates, central banks focusing on inflation instead of employment, and fiscal austerity measures mainly affecting social spending (Hall, 1993). After the end of the cold-war, countries across the world embraced in droves (voluntarily or under coercion). While few countries with strong export capacity benefited from these policies, majority of the countries witnessed growing inequality, unemployment, and the balance of payment crisis (Evans, 2008; Kuttner, 2018; Piketty, 2017; Rodrik, 2012; Stiglitz, 2002).

The socio-political consequences of these economic transformations have been more damaging (Metcalf, 2017)). The Left political parties have embraced neoclassical ideas of economic growth and labour movements have weakened across the world because the Left 'was unable to articulate an entirely convincing critique of economic growth based on the global market and . . . of neoliberalism' (Grugel & Ruggie, 2018). Some pockets of the Left pushed back, particularly in Latin America of the 2000s, so much so that some authors claimed it a 'strike back' by the Left and it raised some short-lived hopes for the Left across the world (Petras, 2000). Nevertheless, the Left resistance is retreating everywhere including in Latin America (Panayotakis, 2020; Storey, 2008). The Right wing political parties are ascending with ever more assertive nationalism across the world

(Carpio, 2019; Milner, 2019). These trends vindicate the thesis of social embeddedness of markets by Keynes (1963) and Polanyi (1944). The thesis indicates that if markets become the driving force without any regard for socio-political sensitivities, it gives rise to nationalism and fascism.

The second image reversed and dis-embedded liberalism

The manner in which scholars conceptualise the state impinge on their understanding of the origins of national interest and identities and how states shape or resist neoliberal globalisation. Traditionally, the state has been conceived in three ways. One, the Aristotelian or Hegelian structural concept of the state as the final stage of institutional evolution, an ontologically given entity independent of and often competing with other domestic and global societal groups and institutions (Krasner, 2009; Skocpol, Evans, Rueschemeyer, & Skocpol, 1985; Tilly, 1985). Second, the Lockean (and to a certain extent Marxist) concept of the state as an arena or an instrument where societal groups compete for influence on policy (Dahl, 1961; Przeworski, 1985, 2003). A third view attributes 'embedded autonomy' to the state, where the state mediates conflict between various groups but its preferences and functions change according to the changing power relations within the society (Esping-Andersen, 1990; Evans, 1995; Thelen, 2012). We can trace back many of the intra- and inter-disciplinary theoretical debates to these ontological positions.

For neorealists, states are an ontological given and therefore the primary actors in world politics. States can be treated as rational unitary actors and domestic institutions and politics can be ignored (Waltz, 2000). The state preferences, survival and security, are exogenous while the anarchic structure of the international system takes on a causal explanatory power for international interactions, that is, states continuously balance power (or threat perceptions) against one another (Walt, 1988). The outcomes of international interactions are then a function of the distribution of power in the system. According to these scholars, globalisation is led by states and has no significant consequences for states, not for major powers at least (Mearsheimer, 1995, 2001; Waltz, 2008).

However, even assuming that the broader scope of the theory is the great power-security competition (high politics), three objections can be raised. First, neorealism does not sufficiently address the fact that there is no one dimension of power that guarantees influence across issue areas including war (Guzzini, 2000). Secondly, the security apparatus requires resources, which in most cases cannot be generated in isolation, hence security policies of states may not be isolated from broader international political economic interactions. Finally, power inequalities among states are so great that a large part of international interactions is essentially hierarchical not anarchic (Gilpin, 2001; Krasner, 2009). Strange (1996) conceptualises power as structural position in the global political economy instead of mere material capabilities. It means the capacity to extend or deny access to security, technology, capital, and information. More importantly, a state in a structurally superior position shapes the paths to security, capital, technology, and knowledge that other states can adopt (Drezner, 2007). These states are also pioneers in emerging transnational issue areas so they supply international institutions and late-comers and less powerful states need to comply if they want to participate in the global marketplace.

Liberals, on the other hand, treat the state as an arena controlled by various groups and state policies reflect their interests and ideas (Moravcsik, 1997; Przeworski, 1985). For Keohane (2002, 2012) states' can be treated as rational unitary actors and their main interest is to maximise gains from international cooperation. International institutions reduce transaction costs by providing information, monitoring, and enforcement, hence there is a demand of international institutions. However, there are three main problems with this analysis. First, the supply of international institutions is costly and poses a free rider problem (Bates, 1988). As long as the benefits to the suppliers of institutions are significantly greater than costs, the institutions are likely to function well but would not function otherwise. Secondly, global policy is rife with distributional conflicts because states, at least major powers, also care about relative not merely absolute gains from cooperation (Grieco, 1993; Mearsheimer, 1995). Finally, the rational unitary actor in this analysis only cares about 'the shadow of the future' (Axelrod and Keohane 1985; Lake, 2010), because by definition rationality does not, and should not, care about the past. But the domestic institutions that require adjustments to 'benefit' from international exchange are often frozen in history and pose huge political costs, particularly in democratic countries. Moravcsik (2003) attempts to rescue the liberal theory by arguing that the state reflects aggregated preferences of primarily its dominant domestic constituency, which now increasingly has transnational interests and networks.

In that, the primary causal factors underlying globalisation are exogenous technological changes and inherent tendencies of the capitalist production process to put structural pressures on domestic economies and consequently socio-political institutions. Consequently, globalisation makes those participating in the process richer than those who shut their doors to it (Frieden & Rogowski, 1996). The exogenous decrease in costs and increase in rewards of international exchange benefits certain factors and sectors in an economy at the cost of others (Rodrik, 2012). Since globalisation empowers capital by giving it an 'exit' option (Hirschman, 1970), governments respond to the policy preferences of capital owning classes (Drezner, 2001, 2003; Fimreite & Per, 2009; Przeworski & Wallerstein, 1988; Weishaupt, 2008). The capitalist class in states that have greater international structural power asserts itself in domestic policy making and abroad through the state (Brooks, 2005; Scholte, 2008; Shepsle, 2006; Slaughter, 2004). Globalisation also impact different sectors within a country differently. For example, tradeable sectors may become more powerful as compared to non-tradeable sectors hence acquiring more political voice. Consequently, we observe a semi-automatic process of marginal adjustments leading to harmonisation and convergence in various policy areas and organisational forms across the world (Drezner, 2001; Knill, 2005; Linares, Santos, & Ventosa, 2008; Simmons & Elkins, 2004).

Besides structural pressures, globalisation affects the policy process by creating international regimes, norms, and discourses. The impact of the neoliberal discourse is the most difficult part to empirically verify. Powerful capitalist states are embedded in the web if international and transnational alignments of coalitions and they develop 'by dialogue and consent common rules and institutions . . . common interest in maintaining these arrangements' (Watson, 2009, p. 11). According to constructivists, common values are primarily internalised norms and ideas (Ruggie, 2007). Wendt (1992) argues that the common understanding and convergent expectations emerge from the 'intersubjective conception of the process in which identities and interests are endogenous to

interaction'. These scholars argue that international regimes do not merely influence state behaviour (while keeping interests exogenous, as in the case of neorealism), but shape and reshape interests and identities (Barnett & Finnemore, 2004).

Other scholars are sceptical about the notions of 'common values and intersubjective persuasion' and contend that there are various channels through which powerful states exercise influence (Gourevitch, 2002). The three main channels of influence include direct coercion, indirect exercise of structural power, and through hegemony in rule making and norms propagation (Drezner, 2007). Cox and Schechter (2002) extend the analysis of modern production to demonstrate that it shifts the attendant policy, organisational, and ideological paradigms in favour of global capital at the cost of people. Applying the Gramscian concept of hegemony of discourse, they demonstrate that structural power translates into hegemony over organisational and ideological forms and consequently to the diffusion of these forms and ideologies to other countries, what some call soft law or power (Nye, 2011).

Take few examples, the discourse on new public management or network governance exemplifies the market mores. The citizen becomes a customer and the public servant a manager or an organizer. The discourse on economic growth does not include a mother's labour into GDP but if the same mother works and hires a nanny (assuming the net economic impact is zero and socio-psychological costs are positive) then the economy seems to be growing. The discourse on taxation and spending portrays a false choice between higher social security with higher taxes and lower social security with lower taxes. The OECD tool 'compare your income' (<https://www.oecd.org/statistics/compare-your-income.htm>) asks your preferences for taxation. If you happen to indicate a preference for lower taxes on lowest strata, the next question offers you to choose spending cuts from unemployment, housing, pension, healthcare, and education. It never mentions defence, government waste, subsidies to the big business, and taxes on externalities, etc. The tools' users, so conditioned, are unlikely to realise that it's a false choice. For a detailed discussion on how neoliberal thinking has penetrated the public and social spheres, see (Eagleton-Pierce & Knafo, 2020; Metcalf, 2017).

Similarly, the term 'global policy' is often used interchangeably with global governance (Rosenau & Czempiel, 1992). It is a global market place where ideas and norms are generated, experiences are shared, and recommendations are made for more formal action (Stone & Moloney, 2019). The global policy discourse changes the dynamics of the national policy process. For its critics, global governance or policy represents a neoliberal political agenda where problems and solutions originate from a narrow set of interests and ideologically motivated actors without democratic mechanisms of participation and accountability (Davis, 2012; Plehwe, Walpen, & Gisela, 2007).

National responses to globalisation

The previous section identified a relative consensus in the literature on the constraining effects of globalisation through structural pressures and neoliberal discourses. There is also a relative consensus on treating the state as embedded in national society and international power structures. Nevertheless, not all states respond to these pressures in similar ways, even if they generally show a commitment to the neoliberal discourse. Since globalisation requires domestic policy adjustments, these may be reflected in

changing policy objectives, preferences for policy instruments, or institutional change. Capital demands reduction in costs of production and lax regulations, Labour, on the other hand, demands more protection against downward pressure on wages, social and job securities and overall living standards. Similarly, tradeable and internationally competitive sectors benefits from greater openness while non-tradeable and/or internationally uncompetitive sectors would demand protections and subsidies. Therefore, the precise impact of globalisation on policy depends on the structure of domestic economy and institutions.

Domestic institutions may 'block' international price signals and changes in domestic interest group policy preferences may not immediately translate into actual policy or institutional change (Frieden, Lake, & Schultz, 2010; Frieden & Martin, 2003; Keohane & Milner, 1996; Singer, 2004). The embedded state institutions in more or less democratic societies tend to mediate between competing interests and find compromises instead of making complete swings (Pierson, 2001, 2004; Poulantzas, 2014; Rueschemeyer & Skocpol, 1996). The more number of veto-players in the political system the more difficult to transform interest group policy preferences into policies (Tsebelis, 2002; Zohlnhöfer, 2009). Therefore, the precise nature of policy and institutional change depends on the nature of domestic institutions. The amenability of domestic institutions also depends on their origins as historical social contracts or politically contingent marriages of convenience. The latter being more malleable than the former.

Take, for example, the 1973 international oil crisis and varying responses to it by six developed countries. Katzenstein (1977) identifies three distinct domestic arrangements (Anglo-Saxon, Japanese, and European) responsible for different responses and explains them with reference to state–business relations and the extent of policy-networks bringing the public and private actors together. Basing his analysis on major works in comparative politics, Katzenstein links the emergence of these domestic structures to two interlinked historical developments, that is, earlier class compromises during the transformations from feudal to industrial production and the attendant state-building projects that broadly characterised the state-society social contract.

Similarly, Esping-Andersen (1990) focuses on the domestic welfare policies in developed capitalist countries and their historical origins along the same theoretical lines. The novelty of this analysis lies in its concrete theoretical criteria for classifying state–society relations along the degree of commodification of labour, stratification (or social solidarity) of society, and coordination of economic activity. The liberal regimes score higher on the first two and lower on the third while corporatist regimes score lower on the first two and higher on the third. The evolution of these differing social contracts then ascribed to historical class struggles and compromises.

However, both of these seminal works ignore the role of international structures and foreign political forces in the evolution of domestic institutions (Drezner, 2007; Gourevitch, 2002). Although Katzenstein alludes to some extent, he does not take the argument to its logical conclusion, that is, the change in energy policies of those countries shaped by the international oil crisis created attendant interest groups and institutions that continue to influence their policies today. Furthermore, some scholars have questioned theoretical and empirical bases of the claim that national institutions reflect class struggles. Instead, they argue that national institutions dealing with labour and social policies were often results of cross-class coalitions and political contingencies (Paster,

2009; Swenson, 2011; Thelen, 2014). The organised employers' associations are a necessary condition for greater coordinated economic activity with regard to labour and social policy (Martin & Swank, 2004; Thelen & Kume, 2006). The state can only develop social solidarity and welfare regimes when employers' are organised and there exists no class antagonism rather integration towards state-building (Streeck, Jerschina, & Gorniak, 1992).

Hall and Soskice (2001) offer a slightly modified 'varieties of capitalism' framework by ignoring the historical origins of domestic institutions, particularly class compromises or nation-building projects, and solely focusing on business firms and institutional forms of coordination; another sign of the rise of economic thinking in social sciences. Nevertheless, they classify developed capitalist states into same categories, liberal and coordinated economies. The coordinated economies are often found to be welfare states with strong social solidarity dimension compared to liberal economies. The main problem with the varieties of capitalism framework is its lack of theoretical, and by extension empirical, specification and dynamic analysis (Hay, 2020). In author's own words, 'we do not yet have good measures for the character of co-ordination, the concept at the heart of the analysis' (Hall & Gingerich, 2009). Unlike its predecessors, the framework is unable to shed light either on the historic origins or future directions of liberal and coordinated economies in the face of globalisation. Its substantive claim is that various forms of capitalism are equally efficient in their own ways and that globalisation is unlikely to lead to convergence. The claim has not found empirical support as many coordinated economies have gone through extensive liberalisation and deregulation of their economies (Pierre, 2015).

Much of the debate about the impact of globalisation has revolved around the retrenchment of the welfare state. There are two main competing hypotheses in this regard (Bowles & Wagman, 1997; Esping-Andersen, 1996; Rodrik, 1998). First, the compensation hypothesis posits that welfare states are likely to increase social spending to compensate the losers from global competition and deregulation or in some cases may isolate their economies. In both cases, states are likely to compromise on sustained economic growth due to increasing spending and decreasing revenues. Second, the competition hypothesis posits that states are likely to decrease taxation, deregulate labour markets, and retrench social obligations in order to be internationally competitive.

The empirical evidence remains inconclusive (Garrett & Mitchell, 2001; Kittel & Winner, 2005; Thelen, 2014). The results of pooled large-N studies change substantially depending on the time dimension and inclusion or exclusion of certain countries. For example, almost all studies that include data after the 2007 financial crisis or developing and transition economies find support for compensation hypothesis or no relation between globalisation and welfare spending (Meinhard & Potrafke, 2012; Yay & Aksoy, 2018). The reasons are understandable. The welfare spending decreased in the 1990s and increased after the dotcom crash then increased again after the financial crisis. There is very little empirical discussion on developing countries, where by the logic of compensation thesis the social expenditure shall go up, but we do not observe increases in social spending across developing countries (Potrafke, 2019). Because the base line for welfare coverage has been very low and family/community have been the primary sources of social security. These societies are also less sensitive to growing inequality as long as absolute poverty is on decline, given the large numbers of poor and a small middle class.

Furthermore, while studies looking at social expenditure alone find weak or no evidence of retrenchment, studies looking at the coverage across population, sectors, or industries find strong evidence of retrenchment (Streeck, 2010; Thelen, 2014). A fine tuning of dependent and independent variables further complicates things and offers such a nuanced picture that it becomes theoretically meaningless (Jeong, 2013; Onaran & Boesch, 2014). The only empirical consensus in this literature is that (a) inequality has grown across the board with growing globalisation (Auguste, 2018; Crouch, 2019; Mayhew & Wills, 2019), and (b) there is no support for competition hypothesis, that is a race to the bottom, but only in certain liberal and developing countries to a certain extent (Busemeyer & Garritzmann, 2019; Yay & Aksoy, 2018).

The case studies, however, show that the coverage of social benefits has declined as a result of growing stringent eligibility criteria, less generous unemployment and pension benefits, and decreased coverage of unionised collective bargaining; all of which might or might not have been caused by globalisation (Hay, 2006). The welfare states have increasingly introduced co-payments and cost control measures for social services (Streeck, 2012). Take, for example, the case of Active Labour Market programs (ALMPs), which mainly focus on training and match-making instead of employment creation and unemployment benefits are increasingly linked to the participation in these programs (Eagleton-Pierce & Knafo, 2020).

In short, it is not necessarily the quantitative changes in welfare expenditure that a researcher shall be concerned about but overall qualitative changes in the state–society relationship. Nevertheless, be it class compromises, state-building projects, or political contingencies as the sources of contemporary welfare state institutions, globalisation endangers them all by bringing in competition and deregulation that puts these generations old social contracts under stress (Zunz, Schoppa, & Hiwatari, 2002). As a result, globalisation can either bring the labour movements back by fanning the flames of class antagonism or mobilise societies around nationalism. In the contemporary world, both currents are visible, although the tide seems to be in favour of nationalism across the world (particularly in the USA, Europe, India, and China) given the weakness of the left to articulate a coherent vision as discussed in the previous section.

Conclusion: theoretical, methodological and practical implications

The above survey of the literature helps us in identifying the contours of future discussions and directions of research. My first point of contention is that there is a greater realisation among scholars that traditional divisions between political and economic and foreign and domestic policy are a hurdle in our comprehensive understanding of the modern political economy (Figure 1). There are efforts to develop synthesis across IR/IPE and CPE and calls for PS scholars to incorporate those insights in their work (Culpepper, 2017; Keohane, 2009; Menz, 2017). Are taxation, trade, labour, energy, climate, monetary, fiscal, health, and education policies are economic or political issues? Do they come under foreign or national policy umbrella? There are no such boundaries in the practice of public policy then why shall there be disciplinary boundaries. Policy studies (PS) being inherently multidisciplinary shall understand this more than any other discipline.

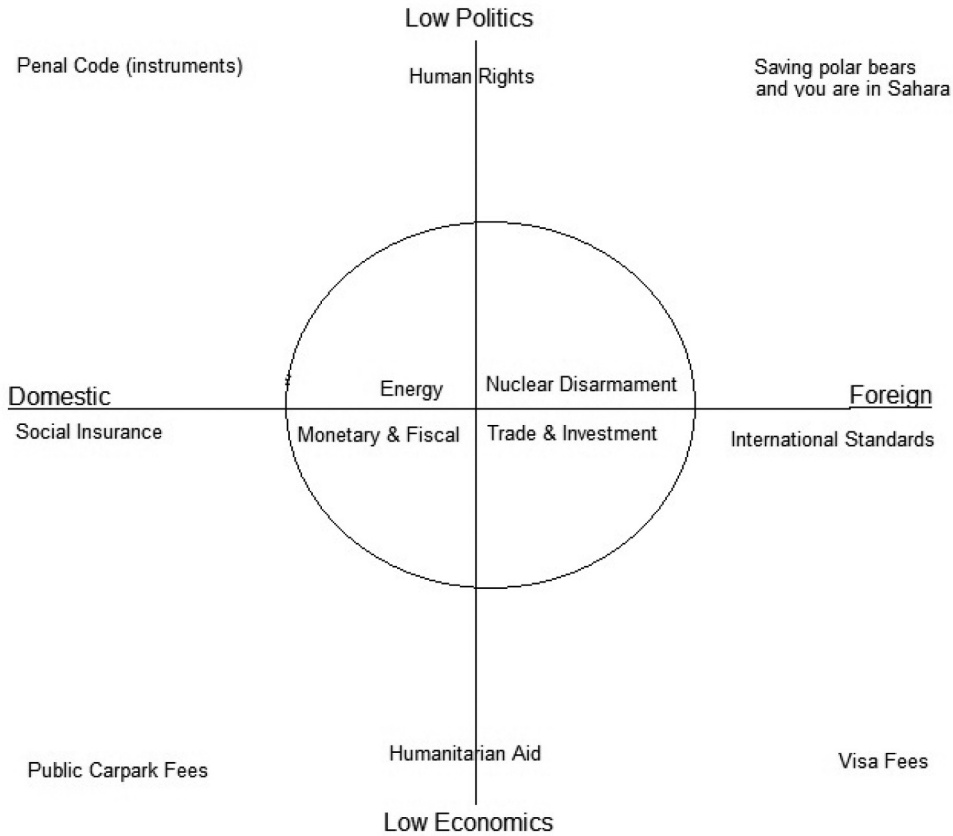


Figure 1. The important issues encompass all four disciplines.

Secondly, neither the state is retreating nor it continues to be autonomous but it is increasingly constrained as a consequence of globalisation. However, since states are embedded in global power structures and domestic societies, the effects of globalisation vary depending upon their position in the global power structures and the character of domestic economy and political institutions (Figure 2). The level of sensitivity (and incentives to adopt or adjust) increases with an increase in the international to domestic-transactions ratio. The domestic adjustment costs are higher if the welfare oriented socio-political institutions are historically strong and well established (Class compromise thesis). The adjustment costs are lower if the socio-political institutions are liberal/weak (Contingent governing coalition’s thesis) and/or a large portion of the workforce is shielded from global competitive pressures.

Theoretically and methodologically, to what extent a state is adopting or adjusting can be specified with reference to their commitments to society or markets. Explicit attempts to balance between three conflicting goals of economic efficiency, social justice, and individual liberty (Keynes, 1963) are signs of adjustments. An explicit neglect of social justice and positive liberties are signs of adopting to the logic of markets. In that Esping-Anderson’s framework of level of commodification of labour and stratification of society

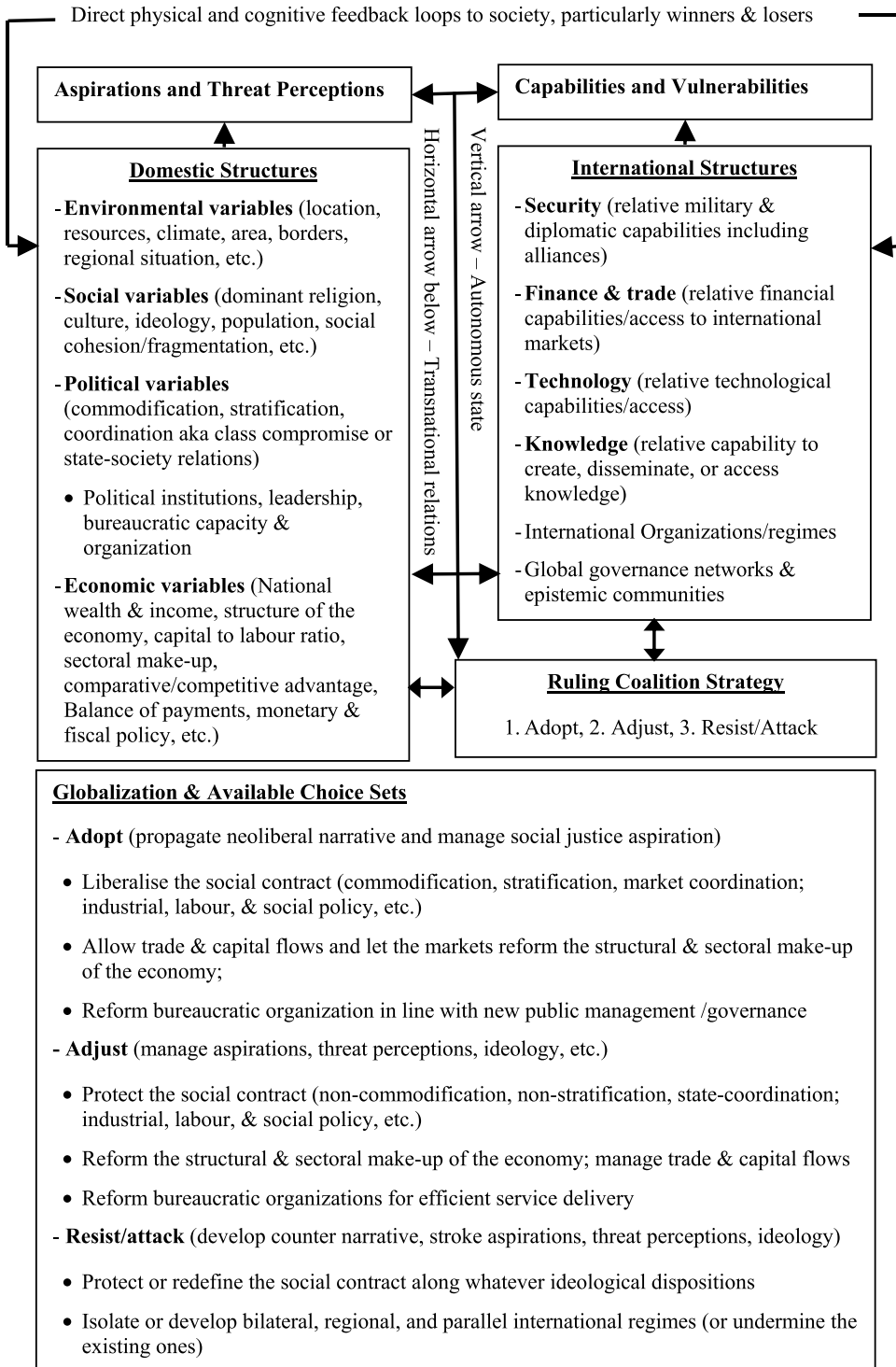


Figure 2. Conceptual schema of the strategic environment of a state.

remains the cornerstone of such analysis. This analytic framework can be complemented, rather than replaced, with the varieties of capitalism framework, that is, coordination of economic activity by markets or the state. The spending on social expenditure and inequality indicators may offer a first cut for analysis in this regard. But a more sophisticated analysis shall identify qualitative or quantitative measures that can ascertain as to how much an individual is at the mercy of competitive markets, broken family systems, and community relations. The state may step in directly or enact policies that promote family and community care networks.

Finally, the large-scale reforms, which have occurred since the end of the Cold War across the world, are extensive and expansive in their reach. A liberal may see these developments as improvements in overall welfare and efficiency, even if inequality may increase (Cazurrra, Alvaro, & Pedersen, 2017). A Marxist, on the other hand, may see these adjustments as a retrenchment of the welfare gains won during the historical class struggles (Pontusson & Weisstanner, 2018). Yet other scholars may see these transitions as mere changes in policy instruments without substantial changes in policy goals (Howlett & Ramesh, 2006).

However, effectiveness and efficiency of these market-oriented substantive policy and organisational designs is rarely questioned or put to rigorous empirical tests. Furthermore, this author fails to find studies in mainstream academia seriously and systematically questioning the modern policy and organisational forms' relationship with democratic rights of citizens, equity of access, and their impact on positive and negative freedoms. Take, for example, the out sourcing of prisons and wars, or privatisation of public utilities or health and education systems, we do not have any conclusive evidence of better service delivery or efficiency gains. Nevertheless, it would be incorrect to assume that either the public or the private sector are inherently better placed in creating public value, a point well established by the economic theory and public choice; ownership does not matter. It is the neoliberal discourse that has made us believe in the efficiency of markets. In order to hold the private sector accountable, states require greater regulatory, monitoring, and enforcement capacity, which particularly is lacking in the developing world. The transaction cost economics tells us that hierarchies are actually better placed in organizing activities characterised by high transaction costs. We do not have comparative analysis of bureaucratic inefficiencies and regulatory transaction costs.

Besides structural pressures that change interest group policy preferences, globalisation through the neoliberal governance discourse also influences the national policy process. Two factors can be identified as channels of influence from the international arena to domestic policies and organisational forms. Firstly, international institutions are ascribed for a large part of policy diffusion either through coercive means or simply providing information, training, and funding. The literature reviewed describes in detail how the neoliberal hegemony in the global governance discourse provides national policy actors advice, that is, the neoliberal 'solutions' to the old problems.

In conclusion, the issue of globalisation and its impacts on the policy process has been conspicuously absent from the PS literature. There seems to be multiple tribes within policy studies that continue to follow their own research agenda without any cross fertilisation or any attempts on synthesis. For example, the word globalisation or any detailed treatment of international and transnational influences on the policy process are absent in the recent reviews of the two most cited framework; Multiple

Streams and Advocacy Coalition (Howlett et al., 2017; Pierce, Peterson, Jones, Garrard, & Theresa, 2017; Ritter, Hughes, Lancaster, & Hoppe, 2018; Weible & Schlager, 2016). Similarly, policy diffusion, learning and transfer literature demonstrate very little cross communication (Dolowitz & Marsh, 2012; Evans, 2017; Gilardi, 2016; Rose, 2004). Furthermore, a particular problem with these studies is the misspecification of dependent variable, as to what (and why it) is being adopted, transferred, learned or diffused. Is it policy outputs, instruments, organisational forms, objectives, or outcomes? What are the channels? We can infer from the above discussions that structural pressures and the discourses are responsible for policy diffusion. Diffusion can occur in isomorphism or through transfer or learning.

The new theoretical and research agenda that this paper aims to put forward would require, as a first step, the dialogue between the theories of the policy process and diffusion (including transfer, learning, emulation, and adoption) around few questions:

- What is the role of international and transnational actors and processes in:
 - Advocacy coalitions formation, strengthening, or weakening
 - Formation of problem, solution, and political streams?
 - Influencing the interests and ideas of advocacy coalitions and policy entrepreneurs?
- What are the main channels of diffusion, learning, or transfer
- If diffusion, learning, or transfer are power neutral concepts (as much of the literature treats them to be) then why don't we see these currents flowing from South and East to North and West?

A majority of papers reviewed here fall under the positivist and quantitative category dealing with large-N cases while an over a third fall under constructivist and qualitative small-N case studies. The former are often concerned with policy outcomes and structural explanatory variables while the latter are often concerned with the process and political variables. Both of these approaches are useful for future research agenda. Since a thin definition of science describes scientific inquiry as 'a systematic activity of organizing patterned observations' (Marsh & Stoker, 2010, p. 11). By this definition, the mere assertions that 'ideas matter' or 'all research is theory laden' does not make the two paradigms incommensurate. For positivism only claims that objective regularities and causal relations exist that can be observed and deduced. The thick descriptions of the policy process of learning, change in coalition belief systems, and entrepreneurs' activities in a globalised world would be useful to generate hypotheses and qualitative data. The colleagues on the quantitative side then can easily transform this data to test those hypotheses in large-N studies. It is my contention that besides the structural pressures, it is the power of process and discourse that is responsible for the diffusion of neoliberalism.

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