The Return of the Public Domain After The Triumph of Markets:

Revisiting The Most Basic of Fundamentals

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In public, **1** in a place or state open to public view or access; openly. Formerly also, in a published form, in print.§ **2** Organized society, *the* body politic; a nation, a State: the interest of welfare of the community. **b** *Sociol*. A collective group regarded as sharing a common cultural , social, or political interest but who as individuals do not necessarily come into contact with one another.

General Public = People collectively; *the* members of the community. Treated as *sing.* or *pl*. (from *The New Shorter Oxford English Dictionary)*

Rethinking Governance

It appears that not only the state, as an organizing entity, but the public domain -- the non-tradeable social goods sector that exists in every society -- is ready to make a come-back (Albert, 1993). The current crisis of neo-liberalism has put on the agenda the need to move beyond the Washington consensus and its belief in the frictionless operation of markets. What needs specification and development is the modern notion of the public as an instrument of governance. Even if governments in the past have been reluctant to share decision-making with the public, at the present time government needs to find ways to empower citizens in order to improve public services, reduce public bads and introduce new regulatory instruments to act as a counterweight to global instability.

It is now apparent that in a post-Seattle world, the new message from international organizations, such as the World Bank, is that public authority needs a more realistic view of governance, one not premised on simplistic ideas about the power of markets. International organizations are calling on governments everywhere to revisit the fundamentals of neo-liberalism and to rethink the ‘public interest’. What public authority is being told is that it needs to relearn how to promote collective goals and revitalize public institutions (World Bank, 1997; OECD, 1994).

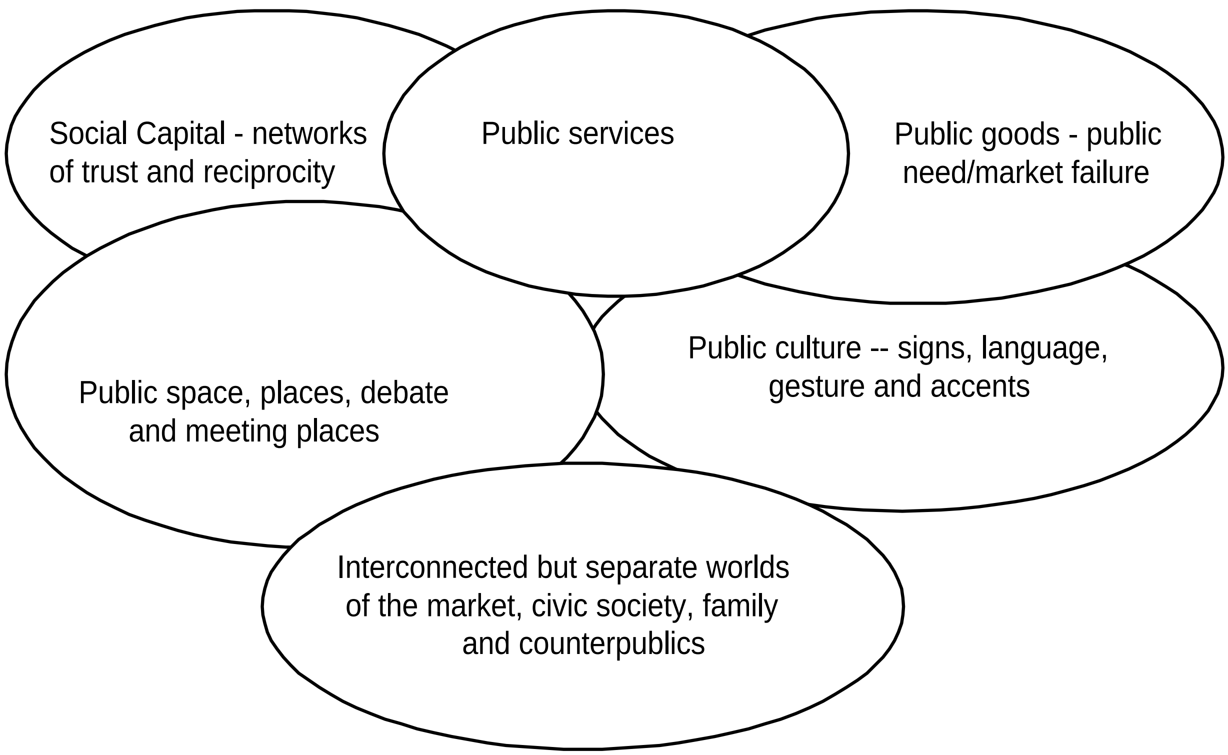
In theory, modern states have long recognized the social-binding importance of maintaining strong public domains. However for many experts, the public domain is not seen in these terms and is confused with the drive to reduce, in stark ways, the public sector. Specifically, they accept the requirement to curtail public expenditure, limit the perceived increase of government regulation of the economy and look to enhance the performance of the economy by a dramatically smaller, competitive-minded state-presence (Schultze, 1977). In recent times, it is this view of public policy that has prevailed. Notionally states have paid lip-service to the US benchmark style of governance but in practice have been much more selective in their support of the goals and principle framework of the Washington Consensus. Today few are persuaded that residual Keynesianism is the main obstacle inhibiting markets from efficient operation (Wolf, *Financial Times*, April 5 & March 17 1999).

As the social bond is more frayed than ever, (Devetek and Higgott, 1999) this too has transformed the public sphere in unexpected ways. The unanticipated defeat of the Multilateral Agreement on Investment is another confirmation that civil society is alarmed by the social impacts of global free trade and is pressuring global institutions for greater accountability and transparency. In such circumstances, there is a larger role for organizations and institutions to mediate state policy and raw market power. Nor is it by chance that deeper integration and higher spending continue to be directly linked (Rodrik, 1997).

What is now apparent is that governments have overstated the constraints of macro-policy, while frequently understating the size of their fiscal surpluses. Throughout the industrial world public authority is awash in large surpluses. For example, it is estimated that a middle power such as Canada will have over $70 billion dollars of surplus revenue to spend in the next five years once contingency funds have been set aside for a downturn. The US and much of the EU are in a similar situation and are making plans to expand the role of the state in the economy. All of this newfound activity suggests that the day of the sovereign state is far from over. Countries continue to govern their national economies despite important ideological and normative differences. Thus, the structure of their economies continues to be nationally-contained notwithstanding an unparalleled degree of interconnectedness. This too needs to be given precision and theoretical clarity. In this borderless world, national institutions and arrangements remain as critical for good governance as simple supply and demand signals .

The question that merits examination is the very notion of the public domain as an incipient concept with its overlapping and multiple dimensions (See figure, *The Overlapping Boundaries and Multiple Dimensions of the Public Domain).* In the public mind at the neighbourhood level, the public domain is synonymous with the public park, the skating rink, the local library, music halls, art galleries, bus and subway routes and the local post office. Beyond the local community exist other and more important sets of interdependencies. The most important are the public spheres, which are the sites of political life, democratic values, institutions and debate, as well as the provider of public services that form a broad notion of citizenship entitlement with the corresponding legal, political and social rights. The assets that are shared and used in common cover a diverse group of subjects, including the environment, information, health, and education. It also includes civic engagements of responsibility, none of these are simple commodities to be bought and sold. In the new world order, conventional measures of government intervention often fail to capture the complexities of mixed economies and, particularly, ignore the contribution of this ‘wider public domain’ in maintaining political stability and economic growth in the face of significantly expanded markets and declining regulatory measures(Albert, 1993).

The Overlapping and Multiple Boundaries of the Public Domain



Source: Drache, 1999

Political economists have as yet to find a way out of this impasse despite an impressive array of evidence that there is a very large terrain between atomized civil society and state dominated public practice. Public authority also needs to adopt a more realistic view of governance, one that is not premised on simplistic ideas about the power of markets. At a time of unprecedented interdependence, governments have to promote collective goals and revitalize public institutions.

The existence of this public domain, in which consensus, co-operation and public discourse figure predominately, has both material and institutional dimensions that are large and complex with overlapping aspects. At a time when this older and larger notion of the public is no longer bounded by the welfare state to the degree that it once was, it is important to understand its genesis, appearance and prospects in an era of global markets.

The basic issues are, what are the public domain’s chief characteristics after the apparent triumph of markets? Why has it re-emerged at a time of globalization? What is its genealogy in the literature of political science, economics and urban sociology? Why does its expansion and reinforcement matter? And finally, what are its prospects as a strategy of public policy in a post-Washington consensus era (See: A Simplified Genealogy of the ‘Assets and Collective Goods Shared in Common’)?

The Argument in Brief

The paper begins with the case that there has been a surprising growth of public space, even at a time of global free trade and the emergence of a markedly smaller state. It then proceeds to locate the public domain between the state, market and civil society. It demonstrates that the critical issue for our times is not state-lessness – defined in its most extreme form as the end of the nation-state and the irreversible diminishment of national authority – but ‘state-ness’ finding the appropriate model, strategy and resources for maintaining public authority in contrasting market economies. The paper also offers some critical thoughts on two other equally challenging issues: the defining characteristics of strong domains vs the inhibiting features of weak domains and the new demands for an expanded public domain in both developed and developing countries. Contrary to elite received wisdom (that well-placed public authority has to intervene to create public goods to preserve the virtues of the free market in the face of market failure), the emergence, enhancement and embedded quality of public domain issues is driven primarily by the need to limit the excessive rent-seeking behaviour of powerful market actors.

Still, as we will discover, there is much that needs clarification and empirical verification regarding the critical relationship between the public domain, state practices and markets. For instances, in re-examining ‘state-ness’ -- what are the key elements of the modern state that enhance productivity, competitiveness and social cohesion, so that they are reinforcing rather than achieved at the expense of one or another? The story remains a compelling one for a principal reason. More than ever, contemporary public life is an entanglement of public interest and private markets. For governments who are looking at new policy ideas and principles to better grasp the contradictory dynamics of markets and to find ways to strengthen the international order, the strategic notion of the public domain requires, above all, clarification and greater precision as a benchmark of public life.

The Return of the Public Domain: An Older Valued Concept of Policy Making

Despite the triumph of markets there is nothing inevitable in the return of the public domain. If a revitalized notion of the public domain seems not on the radar screen of the public, the more pressing problem is that there is no clear consensus any longer of what the public is or consists of. At one time there was broad agreement when one said “this concerns the people as a whole”, “done or existing openly”, “provided by or concerning local or central government” as in public money; public records; public expenditures” or “involved in the affairs of the community, especially in government” but no longer. Increasingly, the public is a permanent entanglement of bureaucratic and private interest, as in “becoming a public company”. The regulatory role of public authority is much diminished with respect to health, education, finance, trade and culture. All of this seems so obvious that it barely is worth mentioning but it is, because it highlights the all too evident predicament of our times that the very notion of the public is troubled, in crisis without any resolution in sight.

For instance, public opinion polls reveal a growing distrust of government in many jurisdictions, which only adds further fuel to the fire that the public suffers from a crisis of confidence. More importantly, our most prized idea of the public is suffering a gender-based legitimacy crisis. The term itself is troubling. “Public” comes from the Latin *publicus*, itself derivative from “*pubes*”, the male adult. The public was never ‘for all,’ as political theorists have intoned through the ages but only for some and, historically, has long been exclusive of women. The public was an exclusionary sphere, largely for male political actors and elites, with a gender based set of issues and practices.

So at a time when the public is at an all time low esteem, what is the public domain? Is there a case for reviving a concept? Do we need it at all? Political theorists have long recognized the importance of the public as a constitutive part of public policy making. However, I do not intend to use public domain as a term of art to be defined mainly by reference to authoritative texts. Rather it needs to be thought of as an incipient but evolving concept which requires constant re-definition. It is important to stress that the “public domain” is not a synonym for “state”, though sometimes the state is, in fact, the most obvious means of advancing public purposes. Instead it is meant to underline the fact that by whatever means they are achieved, many purposes, values and social goals - are inescapably *public.*

Conceptually consider it as follows. The public domain is the fourth element that abuts on civil society. It is the legal creation of the state when markets exceed their existing boundaries and it provides society with basic and complex needs. Its pedigree is long, having its roots in modern economic, political, social and legal thought (See figure: A Simplified Genealogy of the ‘Assets and Collective Goods Shared in Common’). If one were to try to envision where the public domain is in relationship to the rest of the social order, we can see its place quite clearly. It is one of the centres of decision-making that allows society to organize itself, plan for consumption and support a mix between non-negotiable goods, mixed goods and negotiable goods. From it emanates the set of processes essential to a stable social order and a cohesive society.

If the state, market and civil society remain the great institutional markers of modernity, the public domain is at the intersection between civil society (largely norm-based, decentralized and hierarchically flat), the market, (subject to the constraints and opportunities of the universal price mechanism, private property rights and corporate profit-taking) and the modern administrative state (dependent on its full-bodied bureaucracy, large-scale financial resources and vast legal powers). It is a large irregular space covering a range of activity and organizations that belong to the public, as a whole, having flexible borders, expanding and contracting in size, driven most by need rather than by any fixed notion of rights.

What we now identify as the generic idea of the public domain evolved by fits and starts, particularly in response to the primacy of markets and the spread of democracy. The very idea of it emerged in antiquity from the health and hygienic needs of early cities, the growth of democracy, the erection of public buildings and the emergence of bureaucracy, military and the courts (Mumford, 1986). Its boundaries have always been inseparable from the spread of commerce and the growth, first of cities and then nations, but always linked with political freedom. In Mumford’s own words, “the genuine improvement took place in the internal organization of cities throughout history since the introduction of drains, piped drinking water and water closets into the cities and palaces of Sumer, Crete and Rome. Cities needed an infrastructure, roads, harbours, ports and administration to collect revenues, maintain order and organize pageants and spectacles for the masses" (Ibid.).

For political theorists, it speaks of the ethic of public responsibility – community networks of trust and social solidarity are some of the distinguishing features that have been attributed to it. The public domain is about assets that are shared, and hence, there is also a strong redistributive imperative defining the boundary between the state and the market. These collective assets, outside the reach of private property and the market price mechanism, have been part of the standard tool kit of modern economics and political science. There are many theories and explanations of why societies need collective goods (Olson, 1982; Prebisch, 1971; Kaul et. al,. 1999; Giddens, 1998). Mainstream economics identifies the public domain merely with the consumption of public goods (Stiglitz, 1986). What makes this concept of public goods limited is that it undervalues the intricacies needed for the creation and consumption of such complex goods by all citizens and stakeholders. Since these 'social goods' belong to all members of society, in theory, their benefits are to be shared by all irrespective of private need. If this is so -- and it is -- public goods cannot be explained by the efficiency conditions of Pareto optimality. Society's collective goods are not the product of market failure, as many neo-classical theorists posit, but of social need. The presumption is that markets and firms can handle most, if not all, of society's other goals such as a fair distribution of income, a stable macro-economy and national security. In point of fact, public goods are as likely to be a response to efficiency, equity, stability and security needs as to reduced transaction costs. If this is so, public goods are ready to make a comeback.

Economists are only now beginning to rethink this fundamental issue. For instance, Eden and Hampson make a compelling case that public goods are part of governance structures and that society needs to organize and manage their interdependency faced with uncompetitive firm behaviour and general allocative failures (Eden and Hampson, 1997). While many economists do believe that these kinds of equity/governance issues are part of economics, public distributional questions need their own theoretical reiteration. It is for this crucial reason that we must realize that the notion of the public domain derives from an older view of the market economy, one premised on the idea that markets are not all encompassing and that civil society involves a critical non-market sector; part private and part public. In civil society not all goods and services may be bought and sold (Perroux, 1950). Some assets, by their nature, cannot be transferred from one owner to another. These include intangible social, collective and political goods deemed to be non-negotiable and non-transferable, such as public freedoms, human rights, government transparency and public accountability (Perroux, 1962). In the public domain, citizens not only enjoy collectively these non-commodifiable goods but also attribute utility to the social well-being these goods provide and contribute to their value.

For political economists, the concept of public goods demands a more powerful explanation. The rapid growth in public goods for infrastructure, and later education and health, in all countries, is due principally to the growth of complex public needs rather than the exigencies of market failure. The market failure test that predominates in neo-classical economic literature remains problematic(Schultze, 1977). The theoretical apparatus for identifying situations of market failure for ‘correction and regulation’ is too elaborate, a-historical and frequently, too narrowly technical to be reliable for policy-purposes. By contrast, the new institutionalists, such as North and Romer, with a focus on endogenous growth, demonstrate that public goods are socially constructed and the standard public distinction does not allow one to determine which goods are publically provided (Cornes and Sandler, 1994). Outside of the industrial world, the state is not the instrument of last resort but is a primary mover in developing countries and social market ones as well (Schonfield, 1964; Prebisch, 1971; Streeck and Crouch, 1997). The fact is that state-provided services are most frequently a response to the need to curb the socially destructive rent-seeking behaviour of private actors (Coase, 1960). The state is required to use its unique powers to organize the provision of social goods and resolve problems of collective action that private property regimes with their short-term interests cannot address.

The Constitutive Elements of the Public Domain

- social goods that benefit everyone and cannot be considered like private property belonging to the individual. The public domain is a by-product of social and state activity (Strange, 1996)

- the social capacity of government to be an effective manager of market failure and the social distortions flowing from enlarged markets, as well as to provide public goods to limit the rent-seeking practices of corporations (Rodrik, 1997)

- the non-market sector -- public goods that cannot be bought and sold and that are under- provided and undervalued by the market – public freedoms, human rights, government transparency and public accountability (Polanyi, 1957)

- the sizeable not-for-profit sector that acts as a buffer against global competitive pressures and gives voice to social movements and the policy-making processes within the territorial state (Drache and Sullivan, 1999). The sphere that extends and enhances the democratic engagement of public discourse by engaging a wide range of actors from civil society.

- the public sector including: budgetary transactions and program expenditures, public enterprise, public regulation and state provided services such as health, education, social welfare and pensions (Albert, 1993)

- networks of engagement and embedded social space that facilitate co-operation and co-ordination of the '*civitas'* particularly in the interface between the mega-city and the global economy (Lefebvre, 1996)

- the inter-generational responsibility for the protection and conservation of the planet's 'common property' environment, including ground water, fisheries, the atmosphere and the oceans (Sandler, 1997). Governance of the global/local commons requires public goods that allow all countries to reduce risk and the moral hazard of efficiency failures.

At its core, the public domain is defined as the collective assets and goods which are held in common and cannot be bought or sold on the open market. It is the large and complex ‘terrain left between private holdings’ (Kuntsler, 1998), not limited to public services of a broad variety – health, education and workplace representation -- but also including public spaces and places. These shared assets belong to the public and are open and accessible. In organized society, one can speak of the welfare of the community, the body politic of the nation and state. What people share in common, they also use in common. This communal sharing of cultural, social, or political interests – even when individuals do not necessarily come into close contact with one another – differentiates the public domain from the state, the market and civil society. Its unique location makes it a privileged site, where the price mechanism of the market and the regulatory power of the state constantly clashes and vies for dominance. Its borders are not fixed but move in response to the interplay of state and market forces. In this complex process, it is possible to see that the public domain may be strengthened, weakened or transformed depending on the outcomes reached and that the strength, vitality and organizational capacity of civil society are directly related to the resources it can access from ‘the assets shared in common.’ In an era of globalization, this ‘terrain’ is large and likely to become larger, as public needs, nationally and internationally, require states to address non-market areas of public life.

A Simplified Genealogy of the 'Assets and Collective Goods Shared in Common'

Infrastructure/ local services	Ports/harbours**,** administration and customs in Crete, Rome and Greece (Bairoch)	Rights to the city, freedom and security (Pierenne) Town/city (Marx)	Industrial goods, use vs. exchange value (Lefebvre) Modern city- product of the Industrial Revolution (1860's)- the metropolis emerged	City as a landscape of power (Mumford, Lefebvre, Jacobs, Sennett, Davis, Zukin, Sassen)
Public goods (Neo-classical economics)	Wealth of Nations (Smith)	Draining of the meadow (Hume)	Collective goods, market failure (Wicksell)	Public bads/ public goods (Hayek, Samuelson, Bhagwati, Olsen Buchanan) New Institutionalism (North) Endogenous growth (Romer)

Public Sphere	Public/ private domain defined (Hobbes)	Separation of the king's personal wealth for public moneys (Habermas**)** Rule of law and legality (Kant)	Liberal democracy and franchisement for men (J.S. Mills)	Public sphere is men acting together and where freedom can appear, civic virtue (Arendt) Public sphere is negotiated collective engagement**-** unstable, indeterminate, and open (Habermas) Public sphere is challenged by identity politics for excluding counterpublics (Fraser, Benhabib)

Non-market assests (Marxist and non-Marxist thinkers		Tragedy of the commons	Limit of markets - labour, money, culture (Polanyi)	Development, structural change and society (Perroux, Prebisch, Albert, Hirschman) Regulation school (Boyer) Brundtland Report - governing the commons (Daley and Cobb, Ostrom et al)

The Return of the Public: Some Empirical Evidence

For governments who are looking at new policy ideas and principles to better grasp the contradictory dynamics of markets and to find ways to strengthen the international order, the strategic notion of the public domain is not to be confused with the Keynesian welfare state that simply appropriated the public domain as a governance instrument. During the four decades following the Great Depression, governments had little difficulty demonstrating their capacity to regulate markets, promote growth and keep social inequality within strict limits. At present, markets are taking their revenge. Financial institutions decide which state policies are acceptable and which are not(Boyer and Drache, 1996).

It is no accident that new global players have made efficiency the universal belief of all major corporations and most leading industrial powers. In this view, capital has to be free to move across national boundaries if the world economy is to recover its past *élan*(OECD, 1998). Firms have to learn to reorganize their production to take advantage of the new opportunities. People are expected to adapt and accept new employment conditions to accommodate a world where business is no longer bound by national borders. With all these dramatic changes to the social fabric of nations, governments have used market-like incentives, such as taxes, transfer arrangements, as well as fiscal policy to convert ‘public goals into private interests’ (Schultze, 1977).

It is easy to understand why, for many experts, the public domain, a site of public culture and services, is confused with the drive to reduce, in stark ways, the public sector, as has occurred in the US. The difficulty is that from a traditional public finance perspective, the public sector has always been interpreted in a variety of ways including, budgetary transactions, public enterprise, public regulation and similar kinds of concerns(Musgrave and Musgrave, 1984). It is possible to measure the size of the public sector by conventional measures, such as share of national income, share of transfer payments to individuals, and public share of GNP. These quantitative measures are all narrowly related to improving total output, employment and price stability. Within a globalized economy, it was expected that such advantages would be further enhanced by a dramatically smaller state presence.

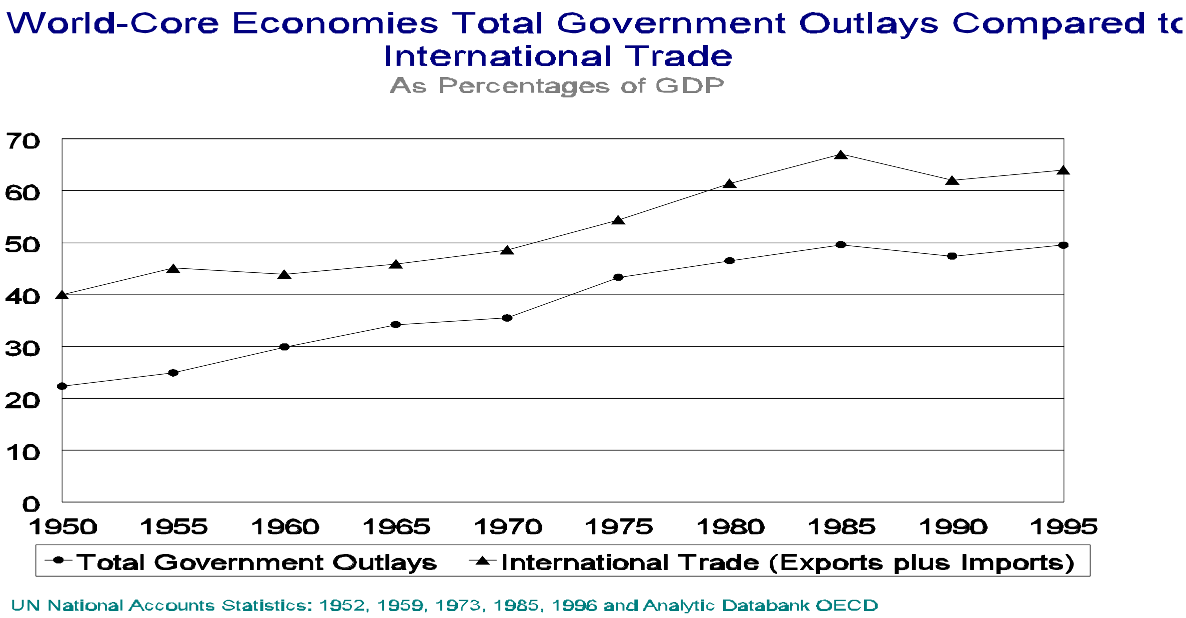
Yet, significantly and contrary to what was predicted, in the post-cold war era, as corporations and capital have become more mobile internationally, most governments have not evacuated the public sphere anywhere close to the degree expected. They are not approaching US spending levels nor adopting the American model of ‘less state -- less taxes’. Further, many developing and advanced states are confronting a range of intractable distributional issues, the social consequences of globalization and joblessness(World Bank, 1997). The state may be in retreat but it is not fading away as once believed. Public sector activities are actually becoming more significant in many economies.

Government spending, as a percentage of the GDP, has grown and has kept on growing even in those countries where government spending is not large. The trend is towards bigger government, not statelessness, and this trend has been almost universal(*Economist* September 20, 1997). When one examines where governments are spending in industrial countries as a group, public spending only fell in one category - that of public investment - from an average of 3% of GDP to 2%. By contrast, transfers to persons rose consistently; transfers to business increased as well and spending on interest and debt doubled. What these numbers tell us is that in all jurisdictions, public services are a primary site of public culture. Income support benefits to the unemployed, the disabled, single parents and the elderly are the most important causes for state expansion. Services such as education, health and social transfers, as well as defence and law and order remain the work of government. By contrast, deficit and debt payment represent less than 5% of GDP in all government spending, even though accelerated deficit reduction has boosted this figure in many jurisdictions.

Despite this, across the OECD industrialized world, state spending is up and divergence from the US model has become the rule in almost all jurisdictions. In highly integrated settings, government spending practices have also diverged from the US example. Even within the Anglo-Saxon model, characterized by large, institutionally-protected private sectors, spending patterns follow this norm. Initially the Canadian case seemed to conform with the pressures for ‘deep integration’ with US state practices. When NAFTA was signed in 1994, Ottawa imposed the deepest cuts of any G7 country in the 90s, cutting spending from 51 percent to 42 percent of GDP. By contrast, when Washington tightened its belt, it cut its spending hardly at all, from 34.5 percent to 31 percent. No wonder Canadians have found this difficult to swallow. Even so, it is clear that Canadian spending on social programs has not converged with US levels. Spending cutbacks have reduced the effectiveness of Canada's social security net, already weakened by Ottawa's rigid application of monetarist principles (Fortin, 1996) but it is still more advanced than anything in the US. Canada's commitment to a redistributive model of federalism remains the defining difference between the two countries. Even in this highly integrated setting, Canada remains on a separate, unequal but parallel path. Significantly, public policy has not followed the market either to the degree anticipated.

Contrary to what many predicted, the fact is that the smaller Canadian state is not converging to the US model even though Canadian social cohesion is under pressure to do so (Drache, 2000). Rather, it is a smaller version of what it was in the golden age of Keynesianism. Canada is a high spender compared to the US but a low-end welfare state compared to the social market economies of Europe. Even with deep integration, Canada's public domain is smaller than it once was, but it is still larger and better resourced than its US counterpart. Total government taxes and other revenues in Canada reached about 43 percent of GDP, while the US figure has remained at the 30 percent mark since the early 1970s. In a recent budget, the Minister of Finance chose to strengthen the non-market side of the economy and rejected corporate Canada's agenda of cutting taxes in order to cut spending! Fifty two percent of the fiscal surplus supported new program spending to reinforce social cohesion in health care; 38 percent went to debt reduction; and only 10 percent to reducing income taxes.

The fact is that Canada is not an isolated example. First-wave theorists of globalization were wrong in claiming that the new global order was supposed to bring



convergence and uniformity across nations. Increasingly, it is evident that there is no coherent policy response to the deepening integration pressures from the global economy. ‘Shallow integration’ (referring to more conventional kinds of trade barriers, such as tariffs) and ‘deep integration’ (investment-led globalization leading to global production networks and highly integrated regional economies) have forced countries to revisit the fundamentals (Ostry, 1998). This turn of events has taken many public experts by surprise. It was often assumed – wrongly as it has turned out – that interdependence would severely limit national room for macro policy and that liberalized trade flows would overtake government control of the economy. The idea was a pure Lockean fantasy – a vision of economic liberalism in which “government has no other end but the preservation of property”. How far from the truth it is. Empirically the evidence indicates that social spending is not incompatible with trade and investment flows.

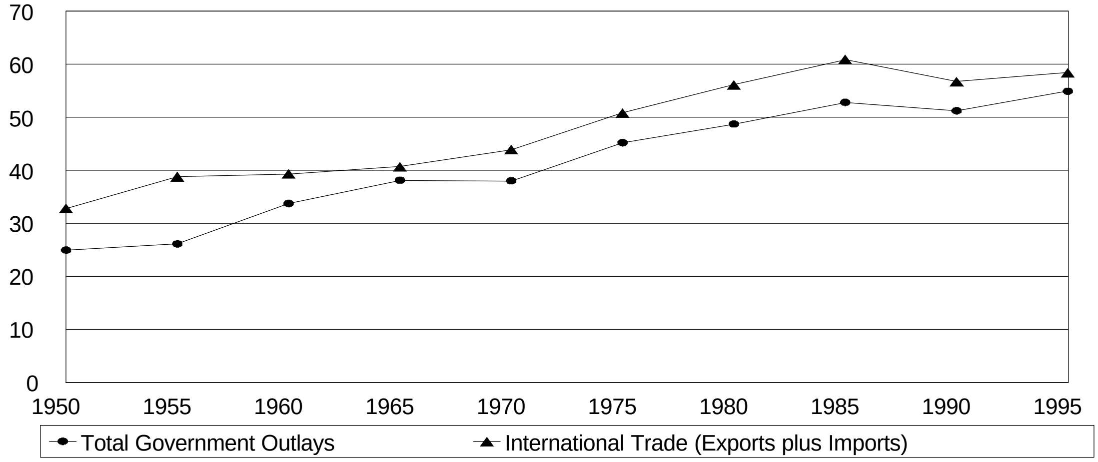
Exports vs Government Outlays

The accompanying tables trace total government outlays for the world's 'core economies' (fourteen countries including the social market countries of Austria, France, Germany, Italy and Sweden; all the G-7 countries as well as major European states) and changes in international trade between 1950 and 1996.[2] They set out to test whether increased openness has outpaced government involvement in the economy. Part of the exercise included determining whether there was a strong inverse relationship between total government outlays, as a percent of GDP and international trade as percent of GDP. In short, the point of the exercise was to test the hollowing out of the state thesis that many policy experts allege is occurring. Capital investment flows were not included.

Even the broad measure that compared general government expenditures with the dramatic increase in trade reveals that there is no foundation, empirically, to the notion that such an increase incontrovertibly equals less state involvement in the economy. Investment-led globalization has caused governments everywhere to shift priorities and revisit the fundamentals, mainly in terms of zero-inflation and zero-deficit targets but the idea that there is a single hegemon – capitalism – is wrong. There is no single model of a market economy. If this is to be a world, in the words of IMF Managing Director, Michel Camdessus, that "will rely primarily on the private sector to mobilize resources for investment and growth" the triumphant vision of private space has not succeeded in checking public spending (*IMF Survey,* March 8 1999).

In the aggregate, government outlays of the most powerful countries have not declined as predicted, averaging 50% of GDP in 1995. Only in 1990 was there a significant decline when the global crisis brought national growth to a standstill. Government spending in the aggregate recovered by 1995 when markets were supposed to be triumphant and the state in full retreat. Strikingly, the G-7 countries much closer to a laissez-faire model of state-market relations were big spenders too. Where, as a group, they parted company with other advanced countries is that they were less dependent on the new international agenda of deeper integration as measured by their dependency on imports and exports. In this complex world of state-market relations, the social market economies – Austria, France, Germany, Italy and Sweden – have not experienced any contradiction between their commitment to trade liberalization and their long-standing domestic institutions. These states continue to finance their social market institutions, at the same time as individually they have increased the volume of exports and imports[3] The Netherlands and Belgium have the most open economies in the world and their government spending has increased as they remain committed to their social programs.

Social Market Core Economies Total Government Outlays
Compared to International Trade
As Percentages of GDP



UN National Accounts Statistics: 1952, 1959, 1973, 1985, 1996 and Analytic Databank OECD

After twenty years of triumphant market policies, the Anglo-Saxon, one-model for all -- faster economic growth and lower unemployment -- lacks many enviable features. It has lost a relatively equal distribution of income, has poorer quality of public goods and its average standard of living has declined for many, particularly low-income earners. The worst charge that can be made against the German model is that its growth is feeble and its economy creates too few jobs, but even then it may not be losing the race. It prefers slower growth with strong social institutions to prevent market failure. Recent studies challenge the view that the Anglo-Saxon model is always superior in terms of job creation. In the EU, the UK, has the widest wage dispersion of any country but the high wage economies of Sweden and Denmark have a better success at net job creation (Employment in Europe 1998, EU, L/2985). So even slower growth is not a definitive measure of the quality and long-term viability of one economic model over another.

A Larger But Smarter State?

Market driven globalization has paradoxically created a larger state and also the need for a smarter one with more institutional capacity. So when one looks closely at the increased government expenditures, where is the money going? Debt interest repayment is the first reason that governments are spending more. The second is that social security spending has increased almost everywhere. In the case of Sweden, social spending rose modesty from 22 percent to 25 percent and this contrasts sharply with the UK, where spending shrunk by 3 percent over this period. Contrary to popular perception US spending actually rose from almost 20 percent to 23 percent of total government outlays. Sometimes governments are cutting back their individual contributions to certain programs, such as unemployment insurance, as in the case of Canada, but in other areas they continue to maintain their programs.

The OECD has examined whether private expenditures on health and pension benefits are replacing the welfare state as the guardian of public need. In Sweden, the birthplace of the welfare state, ten years ago barely .1 percent of GDP was spent on private welfare schemes; now it is 2 percent - hardly the overwhelming triumph of markets. The two areas where governments have wielded the axe and downsized the public sector are first – in final consumption – principally public sector workers and services and second, gross fixed capital investment, that is, investment in infrastructures of all kinds that countries have relied on to make markets efficient and industries competitive.

The big picture story is that most of the variance among OECD countries is explained by one factor, namely social transfers to the working age population, which represents on average 7.25 percent of GDP, more than double what they were in 1960. This factor accounts for almost three quarters of the variation in government spending, according to the authors of this comprehensive study (MacFarlan and Oxley, 1996). Their key finding is that most of the increase is explained by spending on insurance programs, rather than social insurance. Furthermore it seems to be policy and administrative dimensions that are forcing governments to maintain their Keynesian engagement to ransfer and other revenue replacing schemes. Unemployment insurance, disability, sickness, maternity, occupational injury, social assistance, housing, and family benefits are where the money has been spent.

The system differences between social market, Anglo-Saxon and developing countries are large and, in fact, larger than indicated by even these state spending patterns or other conventional economic indicators. Experience demonstrates that markets have to be supported by extensive public interventions of a complex variety. Markets left on their own cannot deliver optimal results, except for standard kinds of commodities and then only under certain conditions. It is not easy to correct for the so-called externalities that enable firms to produce goods without paying the full costs.[4]

Structure of General Government Outlays By Type of Outlays For 12 Selected Countries:

Comparing 1980 to 1996 as a Percentage Total of Outlays in Each Year

Country	Final Consumption		Social Security		Debt Interest		Investments		Other Transfers and Subsidies	
	1980	1996	1980	1996	1980	1996	1980	1996	1980	1996
Austria	38	36.3	20.1	22.3	5.3	8.7	8.8	5.4	27.8	27.3
Belgium	30	26.9	32.8	35.3	10.2	15.7	7	2.2	20	19.9
Canada	47.4	40.5	13.3	17.2	13.5	20.5	6.6	4.8	19.2	17
Denmark	46.9	40.5	29.2	34.5	6.9	10.7	6.1	3.2	10.9	11.4
France	38.6	34.5	33.3	33.2	3.1	7.2	6.9	5.5	18.1	19.7
Germany	41.3	39.7	24.2	28.3	3.8	7.3	7	4.4	23.6	20.3
Italy	34.3	30.2	32.5	35.5	12.4	20.3	7.3	4.1	13.5	9.8
Japan	30.6	26.8	24.5	33.1	9.8	10.4	19.1	18.4	16	11.4
Netherlands	29	26.5	34.6	35.5	6.5	10.5	5.9	5.1	24.1	22.4

Sweden	47	40.1	22.2	25.5	6.6	11	6.9	4.1	17.3	19.3
United Kingdom	48.1	47.8	14.2	13.7	10.5	7.3	5.5	4.1	21.8	27.1
United States	51	46	19.8	23	9.4	13.7	5.6	0	14.2	17.3

Definitions:

Final consumption expenditure: current (excluding capital expenditure) government operating outlays, net of sales of goods and services and of fixed capital formation for own account; of which compensation of employees encompasses payments of wages and salaries, and contributions paid in respect of social security, pension, income maintenance and similar schemes.

Social Security: benefits paid to individuals under social security schemes, usually out of a special fund.

Debt Interest: interest payments made on the debt including net purchases of land, rent, and royalties.

Investments: gross fixed capital formation plus increase in stocks.

Other transfers and subsidies: other current transfers (payments in the absence of economic exchange), intangible assets, and net capital transfers plus current government transfers or grants to private or public enterprises, mainly to offset operating losses.

Source: Analytic Databank OECD

Society needs public institutions with the capacity to ensure that private actors disclose the needed information for corrective action. Without strong regulatory enforcement there is little evidence that new competitive conditions are likely to correct this market deficiency (Boyer, 1999). Finding the vital ingredients for a sustainable social order requires a different kind of engagement at the state level. So far no amount of economic theorizing can adequately explain why, with markets rarely in equilibrium or responding only to simple supply and demand signals, the non-market, non-tradeable side of society takes on a more important role. A large and vital part of the social order has been able to resist the conquest of markets. In modern times, the public domain has a powerful presence and its three principal impulses are:

a. *Public services/market opportunities*.

For many, the public domain is often identified narrowly with state-provided services, but for good reason. The welfare state reform changed forever our perception of what is public and what is private. The Keynesian-Beveridge revolution redrew the boundary line between the public and private, dramatically because the focus was on narrowing the orbit of markets. From another perspective, its notion of the public was very traditional (Drache and Sullivan, 1999). It maintained the dichotomy between private and public interests. Private refers to the property rights of the market and domestic personal and intimate matters, including sexual life. By contrast, ‘the public’ denotes state services accessible to everyone; the institutionalization of shared common social concerns and, most importantly, the public interest or common good. The revolutionary ideal of Keynesianism was that the public sphere would establish relations of solidarity through redistribution and a large role for the state in the economy and it aimed to create a unified public realm primarily around the delivery of services. For this, the state had to grow and have the resources at its command to deliver universal health care, full employment and a range of other social policies and safety nets.

The prototypical ‘big state’ of the Keynesian era established new institutional arrangements, conventions and practices that the full employment obligation, universal social policy and managed labour market regulatory practices entailed. The towering presence of the Keynesian welfare state also included protecting civic space -- urban planning, rent control, commercial redevelopment, local rights issues and citizen rights (Mumford, 1961, 1986). Public authority everywhere invested in a strong municipal public sector – health, education, culture, social services, public and co-op housing delivered at the city level. In the process, the state became the arbiter of the rules under which markets could flourish. Theoretically, the Keynesian public sphere became a privileged site where civil society was able to scrutinize the exercise of its power and authority(Devetak and Higgott, 1999). In practice, it quickly became evident that it was unable to respond to the diversity of human wants or resolve many of the more complex social and economic problems that state activism had once been so confident were within its competence.

Still, compared to its immediate predecessor the Washington consensus failed at a more basic level. The purer liberal state, freed of much of its social democratic baggage, was only to interfere to correct market failure and create the conditions for price equilibrium. Private property rights had to be clear and inviolable. Decision-making had to be undistorted by government intervention and national patterns of specialization, resource allocation should reflect the price mechanism with minimal government regulation. The key fundamental principal was that fiscal and monetary policy made zero inflation targets and balance-of-payments stability an overriding priority.

As part of the new circumstances, state-owned productive enterprises were to be privatized and no new public enterprises created. National economies had to open their borders to trade and domestic prices had to reflect international market prices. Tax reform was to be a priority and cutting marginal tax rates for business was to be one of the pillars of new fiscal arrangements. As well, broadening the tax base entailed imposing user-fees and the tax environment being harmonized to lower levels. Foreign investment barriers were to be dismantled and foreign firms granted rights of national treatment and presence. Only the residual government budget was to be invested in collective goods, such as education and social policy. Significantly, these two areas were chosen because they were seen as having high economic returns, particularly for the individual.[5]

The pivotal belief that decentralized markets were highly efficient engines of growth and that the incentives of free market price signals could promote a virtuous cycle of individual, self-seeking behaviour that reflected the standards of neoclassical welfare economics has not been a recipe for success. Markets are not fully competitive nor is information costless. The price mechanism does not reflect the true value to society of all the uses of its resources (Carter and Zimmerman, 1997). Levels of externally generated flexibility that are too high destroys trust between the social partners and undermines internal employment flexibility and local understandings. Rhodes is right when he notes that cost competitiveness and maintaining 'credibility with financial markets requires preventing wage drift and inflationary pressures. In Europe, this has focused the attention of governments mainly on national wage bargains and incomes policy, as ocurred in Spain and other jurisdictions. These kinds of measures "bind the bargaining partners in the public domain more closely together than ever" (Rhodes, 2000). Once flexible and consensual solutions to employment and competitiveness become a paramount objective, it reinforces the functional aspects of the idea that efficient public services are an important institutional condition of competitiveness.

The policy implication of the above is that cutting back the welfare state or labour market deregulation is unnecessary to remain competitive in the new era. From a European perspective, the contrast with the Anglo-American experience is stark. The deficit reduction targets followed by Canada, Australia, New Zealand and the US have lead to an under-investment in health, education and infra-structural spending and has precipitated a supply-side crisis in public and collective goods. This crisis of confidence is far from being resolved in the industrialized world and in the developing countries the return to a pre-Keynesian past of social disparity in access to income, wealth, power and public goods has reached new heights. Structural reforms have increased the influence of creditors, shareholders and international financial institutions to the detriment of workers, governments and communities (Mattoso, 2000).

While orthodox neo-classical economic theory predicted that deregulation would lead to increased employment, high wages and a stronger and more efficient government, most authorities are trapped by debt even when they have surpluses on their primary account.

Global flows of goods and services have not resulted in the much-anticipated convergence in the wealth of nations or the responsibility of government as a front-line provider of public services and goods. The harshest criticism has come from the United Nations *Trade and Development Report* (1999). In part it reads: “Unbridled competition, particularly among unequals, has never, by itself, delivered faster growth and shared prosperity, even in today’s developed countries, and it has at times been destructive. There is no reason to expect a different outcome in a globalizing world.”

It is during a period of unprecedented globalization that the state always has a unique role in the provision of public services, particularly those critical for promoting social and economic development. The modern welfare state was born, in the first great wave of globalization, at the turn of the twentieth century. As Marquand notes in this volume, the great achievement of modern statecraft has been to carve out from the private and market domain a public domain and “to erect strong barriers against inevitable excursions into it.” Still today, Europe remains the ‘Third Way’ maintaining an elaborate, if often, fragile compromise between the state and the market where the economy is becoming much less central to ideological conflict and party politics (Ferrera, Hemerijck and Rhodes, 2000).

Critically, a new public space and an even larger private world are emerging as jobs and work culture adapt to the new competitive circumstances. So is the explosion of private wealth, epitomized by the chaotic activity on the trading floor of the stock exchange, itself the most public of places, regulated by the state and driven by the passions of untrammeled individual self-interest. Most commentators focus only on these transnational actors and their demand for investment entitlements but equally important are questions about the reconstitution of citizenship, globalization and relations with civic society. Sassen makes the powerful case that there is increasing conflict and friction between the public and private as global cities become strategic sites for disempowered actors enabling them to gain voice and power in their own right (Sassen, 1998). If she is right, this diversity of locally configured arrangements will continue to frame public policy debate in critical ways. The most important is the formulation of new rights and entitlements that directly affect a large number of policy areas *viz*. taxation, wage levels, social spending and skill levels, but also the public-mindedness of those in a position involving responsibility to the public – their willingness to act in the best interests of the community.

b. Public space/private worlds.

For many, the public domain is synonymous with public space, a set of real places, a code of public conduct with concrete forms and places. It is the terrain left between private holdings and the connective tissue of social agreements that bind people together (Kuntsler, 1996). Specifically, urban space belongs to particular groups of people – universities for the young; piazzas for 'male' citizens; ethnically homogenous neighbourhoods – Toronto's Chinatown, Kensington market. All public space requires a large degree of public subsidization to be maintained and controlled, such as police, gardeners and supervisors of all sorts whose wages are not paid directly by the public. As well, a service infrastructure is essential to maintaining public space or else it deteriorates (Walzer, 1986; Zukin, 1995; Mumford, 1986). In Lefebve's terms, public space has to strike and maintain a balance between its use value for citizens and its exchange or commercial value for business. This is also why public space is never solely public but is always a mix between public and private use, the world of formal need and informal custom, spaces used by elites and those appropriated for popular and democratic action. These are also its unique set of characteristics and mentalities that protects the urban public core against the destructiveness of ruthless commercialism.

In recent times, strong public domains have been a powerful instrument against globally anchored forces in preserving ethnic, working class and counter-cultural neigbourhoods. Cultural and commercial life will always exist side by side. Elites with their vast resources always have the greatest possibility to mould public culture in many ways. In cities, the shape of public culture is largely effected through the building and development of the city's public spaces in stone, concrete, steel and glass. As well, public culture is linked, through the architectural design of buildings, in many different ways to social identity and the social control of space (Zukin, 1995). Capital cities of the world, possibly more than any other part of the political order, will always act as the accelerator of globalization, defending openness, diversity and cosmopolitan values. But these same urban settings are also the most resistant to it (Jacobs, 1984). They are the sites of dominant corporate culture, as well as a 'multiplicity of other cultures and identities,' each with their own claims on competing publics. The perennial question asked by the inhabitants of the urban centres of the world is whether there will only be a larger role for enterprise or whether the right to the city requires a vigorous expansion of the general public and public spaces.

In this contest to appropriate public space for private need, the modern city inevitably becomes a site of policy contest and confrontation. It has to choose between mega-shopping centres and malls in the suburbs and more freeways -- the exit option – and full-scale urban renewal of the commercial and city centre – the voice and identity option. In terms of infrastructure, modern cities can favour industrial zones and parks, as well as satellite business districts outside the city centre linked to airports and auto-routes. Or like many European cities today, they can define their future through the public, by building inter-urban transportation systems between high density urban areas, such as the TGV and regional airports located close to the urban centre. New information technologies pose other hard choices: to build science and technology parks, silicon valley look-alike high-tech industries and other kinds of industrial districts dominated by the giants of the information age or expand universities situated in the downtown core with the possibility of supporting private sector activities as well as poly-technical centres and redbrick universities situated in the larger metropolitan area with the same potential.

Municipal and sub-national state centres of decision-making have to determine their priorities. They can contract out public maintenance provision, such as garbage and other vital services; impose user fees and tougher welfare rules that mean fewer recipients and lower benefits to low income families, as well as impose additional personal and property taxes. In this vision, the city becomes the dominant site of a powerful commuter culture dependent on the freeway and the private car with the suburbs weakly linked to downtown. It will be an urban environment with few social services or public housing. Cities can be dominated culturally by theme parks and amusement centres, *à la* Disney or Wonderland, or support cultural centres, such as museums, art galleries, sports facilities, dance-halls, theatre, radio, tv and film production. Alternatively, major local, state/province and national sites of public authorities can cooperate and strengthen public culture so that the social bond is strengthened at the municipal and city levels. Public transport would be extensive, cheap, accessible and safe and the large public domain would be financed by taxes to pay for public housing, education and social welfare programs.

Everywhere the public has to decide between these diverse kinds of activities and enterprises (Walzer, 1986). Who occupies public space has to be agreed upon through negotiations over physical security, cultural identity and urban communities.

Hence the city, particularly at a time of global capital flows and the movement of peoples, has always been the flashpoint for anxiety, conflict and counter-movements as the running battles in Seattle against the WTO and other organizations vividly demonstrate (Zukin, 1995).

In Lefebvre's theoretical world, public culture, like the city, is a system of signs and language embedded in concrete ways. It is the vital component of both the city and its core – "the means for planned organization and consumption", which forms the place to exchange goods, information and ideas and to meet others (Lefebvre, 1996: 81). Public space is protected because it is not subject to the price mechanism and hence, its use value for all represents a level of collective engagement and is part of the ideology of society as image and reality.

The growing multiplicity of connections, communication and information exchange plays a major role in organizing social activities as well. It is the connective tissue of society par excellence through utterance -- what happens and takes place in the street, strip malls, shopping centres and parks; through language that is expressed in gestures, clothing and the use of words, accents and idiomatic language by the inhabitants; through writing (particularly graffiti) about the city on the walls and other public places; and through signs, significant ensembles or super-objects of the city itself drawn from daily life, (e.g. the safe city, the civic minded citizen, hometown sports team, etc. symbolizing the city as place for living and all other collective endeavours) (Ibid., 115 - 116).

The manifold meanings of the public have particular importance both nationally and for the great capital cities. In the singular, it is always synonymous with the primacy of public life in all its complexity. Public space is one of the essential sites of political community, defined as the common activity of urban/national life in all its different facets – commerce, the family and work, connected by the shared experience that these communities construct and establish. Political community is also held together by the substantive idea of the common good. Common goods and services, shared values and democratic commitments resulting from city and national planning, local resources and the provision of public goods and services by local and national authorities are part of this. The public sphere also has its own defining characteristics. It is the idea of communal space for shared activity with common values and commitments. At a time of globalization the city is the prototype of social interaction in which commercial need is forced to accommodate the democratic life of the city. It requires the co-existence of the public and private realm and this interdependence masks the separate spheres of private need and public interest.

At the extreme, the post-modern ‘edge/anti-city’ is indeed a privileged site of consumerism, localism and statelessness. Decentralized, located near the inter-state freeway, organized around the ubiquitous shopping mall and motor freeway, the edge city is the product of unregulated market forces and un-planning. There is no public space to act or initiate any new beginnings. It has become a high security environment for the middle class because the US underclass has been ‘enclosed’ in the old inner cities. The ‘official city’ is a site of both diversity and contestation, as well as order and conformity.

In major cities, urban consciousness is marked by the fissures of class, race and exclusion but also strong popular identification with local and national communities through music, sport teams and local heros. The strong sense of ‘place’ is the glue of urban reform movements everywhere to protect the city from outside forces. This is also, finally, why the cosmopolitan city is a mix of public and private engagements -- a contested terrain of the civic. It is a place of pleasure, desire, pageants, spectacles, freedom and solidarity that threatens the intimacy, privacy and established order of bourgeois society. For many, the anonymity of the city is a protective skin with a weak sense of collective engagements of responsibility. For others, counter-cultural solidaristic movements engender a powerful sense of civic and civil engagement against established authority.

The Resiliency of Urban Space At a Time of Globalization:

Toronto's core public domain like that in many other capital cities remains a mixture of the public and private including:

- meeting places --- churches, synagogues and community centres -- often sharing the same locale
-
- hospitals, schools, universities and colleges
-
- market places and districts to meet, buy and sell -- Yonge and Bloor, The Danforth, Bathurst and Eglinton, St.Clair Ave West, Spadina, Yonge and Eglinton
-
- Hangout malls like the Eaton Centre, Sheridan, Don Mills, Yorkdale
-
- Public squares and meeting places –Nathan Phillips Square, Harbourfront, Ontario Place, Mel Lastman Square, Queen's Park
-
- bicycle paths, parks, jogging trails, ravines, places to sail and row along the lakefront, skating rinks and swimming pools, places to lawn bowl and have a match of petanque, picnic places and zoos
-
- local parks in local neighbourhoods
-
- flea markets, cinemas everywhere, art galleries and museums both private and public

c. Public discourse/ a strong or weak public.

In political theory, the public sphere is the site of debate, political life and public discourse. In Arendtian terms, it is the sphere of action as opposed to work or labour and is a privileged area ' where men act together in concert and where freedom can appear.’ It is the quality site of life, not simply a way to have better roads and sidewalks (Benhabib, 1990). For Arendt, public common space is essential to republican or civic virtue but is limited to dialogue, action, discussion, debate and argument, while issues of primary importance, such as labour and technology are relegated to the ‘private’ realm. Arendt’s idealized notion corresponds then to a morally homogeneous but politically elite community whose action is relevant most often to the individual or small groups. Thus, the public sphere is largely removed from authoritative decision-making and is often only a testing ground of public opinion (Fraser, 1997). Like Kant, her emphasis was on the need for a just and stable order and hence, the normative dimension and the emphasis on the rule of law and legality. The contrast between Arendt’s notion of the public sphere and Habermas’ is marked. He theorized public space in terms of the socialist-democratic discursive model of late capitalist society(1989). Unlike Arendt, the public sphere is not seen as a neutral meeting place for debate and discussion. Its principal virtue is that public life is seen as a series of collective engagements that are negotiated and change as the balance of social forces shift from the elites to the democratic end of empowerment. The merit of Habermas’ public sphere is its radical indeterminacy and openness that conforms most to contemporary life that is being reshaped by the demands of social movement actors for accountability, transparency and openness in international financial institutions, such as the World Bank and the WTO. International civil society has become a force to be reckoned with, in recent years, having established itself as defender of global society attempting to limit the market intrusiveness of the world trading order and transnational actors.

Fukuyama defines civil society as the “realm of spontaneously created social structures, separate from the state, that underlie democratic institutions”. “Culture” is defined as phenomenona such as family structure, religion, moral values, ethnic consciousness, “civic-ness” and particularlistic historical traditions” (Fukuyama, 1995). As such, his notion of the public sphere includes private interests and needs that Arendt excluded in presupposing a sharp separation of civil society and the state.

For modern writers, this notion of the public realm reinforced one over-arching public domain at the expense of multiple popular publics. This vision failed to acknowledge that a sense of belonging and a sense of community required citizens to leave behind their group identities and affiliations for the ‘common good.’ The urge to create single social identities generated a strong sense of exclusion and failed to guarantee a public sphere where ‘access was guaranteed to all' (Squires, 1994; Holston and Appadurai, 1996). The linking of macro-economic management of the economy to micro-level organization of the workplace and social welfare policy spawned the ‘intrusive’ state that became a target of neo-liberal theorists, in the 80s and post-modern theorists on the left, in the 90s. Identity politics redrew the political map weakening the left-right divide of social class. Politics became redefined in opposition to what was excluded from it (Squires, 1994). For Benhabib and others, the public sphere rests on the exclusion of all those who will disrupt its operations or who do not share its principle assumptions or values. Thus, a revitalized public sphere has to be recast to affirm identity politics of all kinds rather than be narrowly focused on false and real notions of the public.

The search for new fundamentals is hard because there is no single coherent left-right political agenda in the way there once was. Traditionally, the political spectrum used to be organized around left and right poles. On income distribution, the left wanted a lot and the right as little as politically feasible; on the role of the state vs. private ownership, the left believed in a large role for government and the right advocated a large and expanding role for private ownership. With respect to labour protection, the left advocated strong labour enhancing measures and entitlements, while the right wanted only minimal standards and practices. In terms of property rights, the left always gave a limited reading where the right advocated a strong belief in property rights. Finally the intellectual left has always championed restricting markets in favour of strong regulatory controls, while the academic right believed in the maximum room for markets to flourish with the state as an instrument of last resort(Cable, 1995).

So what has changed? In many forums, identity politics now cuts across this once fixed and rock-solid spectrum, undercutting any sharp left/right divide of times past. Identity politics is organized around a different set of issues and concerns. The most important are the group vs. the individual with respect to gender, race and ethnicity. Identity politics is about minorities seeking self-determination against established majorities, as in Quebec, Scotland and Spain. In a global context, identity politics has redefined cultural policy along with the rights of people to restrict the movement of global capital and halt the intrusiveness of trade agreements, regionally and globally. Much of modern identity politics are defined by the continuing conflict and repeated clashes between religion and secularism. At the political level, its strongest expression occurs in federal states where devolution, rather than new initiatives for centralization, is now the order of the day.

Without the familiar left/right political markers, it is more difficult, than at any time in the past, to prepare ourselves collectively for the twenty-first century. We are at one of those infrequent cross-roads where there is a strong articulated desire for both larger and stronger national governments, as well as states that are smaller fiscally. So far, there is no social consensus on how to reconcile these opposing tendencies; only the beginning of one. John Ruggie, one of the most original scholars on state practice and international power, reminds us that the rise of the modern nation state required wholesale change in the mental equipment that people drew upon in imagining this different political community (Ruggie, 1993: 157). To flourish in a globalized world, nation-states have to learn to adapt to a different fundament entirely – a planet where the spatial dimension of sovereignty and state power are more important than ever, but under radically different conditions from the immediate past. Here the common condition sought by global free trade is people enlarging their freedom through investment rights and by living in a world that is self-created, not state-dominated. Even if the state is not about to fade away, powerful public and private entities are intent on changing our fundamental preoccupation with territoriality and identity.

d. Social Capital – collective networks of trust and reciprocity.

In the post-national state of the 1990s, social capital is increasingly considered to be a 'new' public good. However, the collective engagement of responsibility has long been part of Western democratic values. Many of these non-traded goods are non-transferable public freedoms, rights and public accountability (Perroux, 1962; Albert, 1993). Social capital, including collective engagements of solidarity, trust and legitimacy, epitomizes the commitment of the collective need to enhance social cohesion. Rights of the citizen, delimiting trade agreements and divergent social practices, at a time of increased social polarization, are part of the social process globalizing the *civitas*. Devolution of decision-making, the delivery of services at the city level and new information flows at a time of spatial and class polarization, all depend on networks, *à la* Putnam to promote trust. Putnam defines social capital as “referring to features of social organization, such as networks, norms, and trust, that facilitates coordination and cooperation for mutual benefit” (Putnam, 1993: 35-36). Individual engagements of responsibility reflect the depoliticization and breakdown in social cohesion that has progressed furthest in the US.

By contrast, collective engagements of responsibility, such as bonds of social solidarity, have been important in influencing public opinion to oppose government cutbacks. They have also served as a brake on the state’s attempts to dismantle redistributive welfare arrangements. Social capital can be understood as political freedom, the right of association and the right to security. It has always been strongly connected with the emerging challenge to political authority and extending voice to the voiceless, increasing individual choice, creating agency at the margin and extending knowledge and contact for the powerless. What then does this complex notion convey theoretically about the increasing tension between markets, territory and identity?

The delusion of global capitalism is, in the words of John Gray, that “encumbered markets are the norm in every society, whereas free markets are a product of artifice, design and political coercion.” The free market is not, as New Right thinkers have imagined or claimed, a gift of social evolution. It is an end-product of social engineering and unyielding political will. It was feasible in nineteenth century England only because, and for so long as, "functioning democratic institutions were lacking” (Gray, 1998: 17). Still, there is much that needs clarification and empirical verification regarding the relationship between the public domain, state practices and markets. The design and makeup of public domains in contrasting market economies need to be empirically studied because public domain issues will continue to frame public policy debate in critical ways.

First, during a time of perceived declining sovereignty, the decline of civic capital has been a growing concern in many societies, a concern not readily addressed in economics-dominated public choice policy circles (Putnam, 1993; Dahrendorf, 1995). Yet, it is far from clear that civic capital has really diminished in market economies. Taking stock of what remains is a priority. In particular, auditing the ‘residual’ public space and domains in the north-south polarization of the globalizing world will require looking at the emergence of public domains in economically developing jurisdictions.

Second, at a time when governments are wrestling with the issue of the optimal size of the state, strategies of administrative reform have been used to bring about the commercialization of many government services in laissez-faire economies. Monetarism, in its many different forms, has been adopted as the policy fundamental for governments in surprisingly diverse political contexts (Williamson, 1994). As well, many public enterprises have been put on a private sector footing or fully privatized. This has also occurred in European social market economies. In addition, there has been a considerable outsourcing of government functions. Much rhetoric prevails with regard to these controversial initiatives. Have these shifts gone too far(Hutton, 1996)?

To what extent have privatization and outsourcing reshaped the public domain, particularly in its consequences for social exclusion and undermining social cohesion?

Third, cutting back government services and state functions, by outsourcing, has made public authority dependent on external provision to a degree that needs close scrutiny. What have public policy officials learned about the functionality and dysfunctionality of fifteen years of privatization in the public realm? While the complete privatization of all the government's technical services is an extreme example of this tendency, it raises the larger issue of identifying the core functions of the state in contrasting market economies, including the laissez-faire Anglo-American model, the social market model and the model for developing countries. One hypothesis is that outsourcing can be construed as a form of de-skilling the public sector. If this is the case, does it presage the redesign of a smaller but smarter state with capabilities for learning and innovation? Or does it presage the emergence of the 'Kmart' state, with a narrow commercial orientation, ill-equipped to manage the complex needs of adjustment at a time of a highly volatile global economy(Drache, 1996)?

The generic idea of the public domain has always been a powerful mainstream and alternative discourse that empowers individuals and groups. It is a narrative of potentiality and collective action because of the assets, experiences, places and concerns people share in common. The public domain is a key factor protecting and reinforcing social cohesion in the face of relentless market demands, which intrude on the world outside the market. In a primary sense, it always has a strong element of delimiting investment rights and ensuring that markets have a broad social purpose. As well, it highlights a view of public life and action that is not state-centred but is quite independent of it, even if the moving boundaries of the public domain are often dependent on the state for public services paid for out of public revenues. At a time when big government has appropriated the concept of the public for its own needs and agendas, the public domain represents a new grammar of policy conduct or what has been called 'tougher notions of public space'.

THE EMERGENCE OF THE PUBLIC DOMAIN AT THE GLOBAL LEVEL

Major environmental treaties and conventions

Treaty or convention	**Date formulated ***	**Place**	**No. of signatories & ratifiers**
Antarctic Treaty	1959	Washington, DC	39
Nuclear Test Ban in the Atmosphere, Outer Space and Under Water	1963	Moscow	120
Wetlands of International Importance	1971	Ramsar, Iran	84
Prohibition of Biological and Toxin Weapons	1972	London, Moscow, Washington, DC	122
Protection of World Cultural and Natural Heritage	1972	Paris	120
Prevention of Marine Pollution by Dumping	1972	London, Mexico Moscow, Washington	73

International Trade in Endangered Species	1973	Washington, DC	111
Prevention of Pollution from Ships	1978	London	65
Transboundary Air Pollution (Europe)**	1979	Geneva	29
Conservation of Migratory Species	1979	Bonn	47
Conservation of Antarctic Marine Life	1980	Canberra	27
UN Law of the Sea	1982	Montego Bay, Jamaica	126
Vienna Convention Protecting the Ozone Layer	1985	Vienna	103
Early Notification of Nuclear Accident	1986	Vienna	80
Assistance for a Nuclear Accident	1986	Vienna	82
Montreal Protocol on the Ozone Layer***	1987	Montreal	96
Control of Transboundary Hazardous Waste	1989	Basel	58
Convention on Biological Diversity	1992	Nairobi	140
Convention of Climate Change	1993	New York	143

*The date formulated does not correspond to the date on which the treaty goes into effect.

**Four protocols putting limits on emission were subsequently formulated to curb sulfur and nitrogen oxide emissions. Tough limits on sulfur emissions have been incorporated in the 1994 Oslo Protocol to strengthen the Helsinki Protocol.

***Future protocols mandated the elimination of emissions by 2000.

Source: *Global Challenges*, Todd Sandler, 1997, Cambridge University Press

A Final World: The Challenges Ahead

Public domains have long underpinned social and economic development and been a pivotal force for the state and no less for the market. Within a globalized world, public domain activities are becoming more significant in the core economic jurisdictions, as well as in many developing and advanced states that are having to confront globalization and a range of intractable distributional issues. International organizations, like the WTO, stress the need for transparency and rule of law, both of which require a strengthened civic order. For society to function smoothly, public authority in many contrasting jurisdictions will be increasingly under pressure to exercise its supervisory role “when there are no other strong social values to compete with that of money and wealth” (Albert, 1993: 104). If Albert’s principal assumption is valid, public authority will be hesitant about transferring many of its prerogatives to the private sector. Indeed, there are many pressures forcing states to rethink the balance that society must strike with the market.

Society has always had need of well-constructed institutions where the rules and principles of contending interests can reconcile conflicting parties without giving any single group the power to make their views and interests always prevail over those of all others. Today there are many areas of public life where the need to limit the intrusion of markets is already on the public’s agenda. The information revolution and associated problems of the public’s right to know has raised the expectation that the information commons will be a sanctuary outside of the market. Product standards for food, environmental regulation and, potentially, labour standards are being pushed for by NGOs, nationally and globally (OECD, 1997). The public increasingly looks to government to exercise its fiduciary responsibilities and protect the environment from the needs of short-term wealth creation (See table: *The Emergence of the Public Domain at the Global Level*). Volatile financial markets, flexible and mobile manufacturing strategies, and ‘social dumping’ by corporations are requiring states to develop pro-active policy responses to manpower planning and labour market practices (OECD, 1994).

In many domains the fundamental notion of the citizen has been transformed into a passive, consuming client of state services this transformation distorts democratic expectations and obligations in serious ways. Increasingly, electorates are critical of their government’s failure to reform its practices and address the costs of social exclusion(Hutton, 1996; Dahrendorf, 1995). The dysfunctional behaviour of markets and the need to reinforce the role of intermediary institutions that limit the power of markets over people brings us full circle.

As an economic principle, the public domain emerges as a robust idea involving public goods problems, despite the fact they have fared poorly at the hands of the neo-classical framework. Public goods have always been a social necessity and socially constructed, but the precise relationship between non-negotiable goods, mixed goods and negotiable goods is inevitably complex, difficult to untangle and not well understood. Market failure is rarely a catalyst for action and explains little about public goods and the need for effective public goods structures (Cornes and Sandler, 1994). Establishing practical forms of collectivism that are binding on private actors, rather than a pseudo-individualistic analysis of society, remains the principle challenge. This too explains why theoretical debate on the public domain is of signal importance. It corrects the mistaken idea that the public domain – the activities and assets that are held in common – is purely public.

Theoretically, it has always been apparent that this social-legal form of public space is an entanglement of public and private interest, that is, neither wholly public nor entirely private. This is why the emergent notion of the public domain is so rich and challenging. At a time of unparalleled global free trade, public space is a valuable resource, that government and society can find ways to use, for the community as a whole. Deepening, broadening and preserving these inter-generational resources is the challenge for public policy-makers everywhere. In its many reiterations, the assets shared in common are created when the price mechanism of the market and the regulatory power of the state clash and compete. If properly understood, strong public domains enable local and national communities to take defensive measures against powerfully anchored global forces.

The public domain has not always existed in its present form. It was created in the nineteenth century as part of a larger political project that was to enhance the security of the elites and be a privileged site of the middle classes. With the passage of time it has been democratized and transformed in ways that few could have predicted. The pivotal question for today is what determines where the markers lie between the public and private? Historically, the public domain has always expanded and contracted as civil society and the market have each sought to appropriate the assets held in common for strikingly different ends. More than ever, the end of the Cold War raises these fundamental issues again — what is private and what is public? In the short term, this seminal issue will continue to dominate public debate everywhere because all societies require a wide variety of social goods and protective measures to address their needs and the allocative failures of markets.

Today there is no agreement to replace the Washington Consensus. Psychologically, elites worldwide remain convinced, despite much evidence to the contrary, that there is no alternative – the TINA mentality. Yet, as we have seen, there is not one, but a range of alternatives on offer. As policy-makers revisit the fundamentals of governance through the prism of the public domain, there are some grounds for optimism. The public domain is an older concept of political economy that supplies civil society with its vitality and much of its organizational capacity. Building state capacity, revitalizing public institutions, promoting collective goals and empowering citizens, all require an activist state model.

For this singular reason, the public sphere is, first and foremost, always a place for the collective sharing of achievement. It is also fundamentally about the individual's freedom to come and go, the right of association, the right to security and, more than anything else, political freedom as much as commercial freedom. Public space is designed, as Michael Walzer perceptively noted some years ago, for a hundred different transactions and hundreds of interactions without which public life, civic culture and everyday chitchat would not exist. Those who use it have acquired a sense of ownership and ready access to it. It has to be attractive enough to draw people out of their private worlds and intimate life styles. The policy challenge is to erect strong barriers against the market from making its much anticipated incursions into the public domain. New bench-marking ideas are needed to redraw the line between the state and the market and restore the public's confidence in what is ours. There is much to be done, and time is short, to broaden the 'terrain left between private holdings'.

Endnotes

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2. Measures used: *General Government Total Outlays*: Made up of current

disbursements (i.e., final consumption expenditure, debt interest payments, rents and royalties, subsidies and transfers paid) plus capital expenditure (i.e. gross fixed capital formation, increases in stocks, net purchases of land and intangible assets, net capital transfers). Exports of goods and services (excluding financial transfers) + Imports of goods and services (excluding financial transfers) = International Trade. Note: all three were measured as a percentage of GDP in current prices

Definitions of Categories: *Social Market Countries*: Austria, France, Germany, Italy, Sweden

G-7 Countries: Canada, France, Germany, Italy, Japan, United Kingdom, United States

European Countries: Austria, Belgium, Denmark, France, Germany, Italy, Netherlands, Sweden, United Kingdom Sources: *United Nations National Accounts Statistics: Main Aggregates and Detailed Tables*, 1952, 1959, 1973, 1985, 1996 and *OECD Analytic Databank*

3. Economists have statistical tests, such as a scattergram to discover just how strongly correlated trade and investment is to government spending. This is one way to measure whether finance-centred globalization is building a world order on the ruins of the once-powerful national economies. The scattergram and Rsq measure demonstrate that international trade explains 88% of the variance (i.e. changes) in government outlays for the G-7 countries as a group (the group part is very important). This measure shows us that trade would seem to have stimulated outlays but that technically the Rsq measure does not fully demonstrate that relationship. What can be said is that there is a very strong relationship between increased trade openness and

government spending.

4. Of course, there are major differences between national regimes and between high and low spenders. What seems to be the determinant are eligibility requirements. A full scale welfare regime defines this broadly and a more narrowly conceived one makes the individual responsible for his economic well-being. In 1992, in the Netherlands 12.7 percent of trend GDP was spent on transfers to the working age population; in sharp contrast the figure for Japan was 1.2 percent. Even these figures have to be taken with a grain of salt because tax systems also have a strong redistributive effect on low-income and high-income earners.

5. The Washington Consensus was seen to be comprehensive but it left open many critical areas of macro-management where countries could pursue their own policies. Areas of non-agreement included the stabilization of the business cycle, the proportion of the GDP spent by the public sector and social policy, the need to eliminate indexation and the usefulness of incomes policy and wage/price freezes. Not surprising public authority chose to interpret its broad objectives so dissimilarly.

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