

Globalization and the Nation State

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Working document prepared for the May 1 Progress Report
of the Globalization Project of the
McKinsey Global Institute

April 28, 1991

TO: Members of Globalization Project

FROM: Jerry Murray

SUBJECT: Draft of current status of research on "Globalization and
the Nation State."

I have been voraciously reading and note-taking on the entire spectrum of topics which I entered into my original research proposal. Several of the sections contained in this document are in reasonably smooth prose form. Several are still in the form of bullet-like notes and observations. I prefer to share the entire lot with you, trusting in your discretion not to circulate unpolished notes.

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I. Evolutionary Perspective on the State

A. Introductory Statement

1. The purpose of this research is to analyze the interrelationships between economic globalization and the phenomenon of the nation-state from the perspective of the discipline of Cultural Anthropology. This undertaking is part of a larger project funded by the McKinsey Global Institute at the invitation of Bill Lewis and coordinated by Marvin Harris, whose theoretical approach to the causal analysis of human institutions will serve as the guiding explanatory model of the research team. The task of this particular component will be to reexamine the nation-state within this paradigm, searching for mutual interactions between the State and the globalizing corporations. Of high importance to this exploration is the hypothesis of the "borderless world" of the future, entertained by many analysts, but articulated with particular strength by Kenichi Ohmae.
2. The term "nation-state" itself is used differently by different analysts. Some use the term to refer to a geographically bounded territory; others use it to refer to the population that resides within that territory and is governed by its rulers. I will be using the term State in neither of these senses. Rather, following common anthropological usage, I will use the term State to refer to a certain type of regulatory bureaucracy that arose in human history some 5,000 years ago and has since then spread to become the dominant form of sociopolitical organization among Homo sapiens, driving out, destroying, or absorbing earlier forms of social organization.
3. The "State" used in this sense encompasses not only the civilian government, but also the military/police agencies charged with external defense and internal order. "State" therefore is roughly equivalent to "government", and is conceptually distinct from both the population governed and the territory over which the rule extends. The term "nation" will be used to refer to one of the territorially bounded and juridically recognized human populations into which the contemporary planet is subdivided.
4. Virtually every human being and every square foot of land on planet Earth is subject to some nation state, creating the optical illusion of the state as a universal of human culture. In anthropological perspective, however, the state is a newcomer to human history. The genus Homo appeared several million years ago; our particular species (as defined by cranial capacity) emerged a quarter of a million years ago. In embarrassing contrast the first appearance of the specialized institutionalized regulatory systems called

"states" or "governments" occurred only 5,000 years ago.

5. What goes up usually comes down. The ultimate task of this research is to generate insights that will permit us to forecast the future direction -- or perhaps better, possible future directions -- of State evolution in the context of the contemporary economic forces that are pursuing their activities transnationally. In the context of these forces for globalization, the intervention of the State strikes many as being either irrelevant or -- worse -- obstructionist. Proponents of the borderless world hypothesis argue that the contemporary nation state, with its boundaries and its regulatory mechanisms, may have outlived its evolutionary utility and is possibly slated for eventual demise.
 6. Since it would be premature, however, to write the obituary of governmental institutions that are still alive, that control armies and enforce laws and collect taxes, and that show little apparent intention of rolling over dead, the hypothesis will be framed in a long term evolutionary model which posits first a shift to a transitional "border-weak" world. It is this transition which is in fact occurring at this point in history and which will be the object of exploration here.
- B. Evolutionary framework
1. Each science has its own intellectual mission. The historically deepest and scientifically richest insights of anthropology focus around the concept of evolution and the causal forces which have brought it about. Whereas biological anthropologists explore the dynamics that led to our emergence as a unified species (we are one of the few lifeforms that has absorbed all other members of our genus into one species), cultural anthropologists try to describe and explain the mind-boggling diversity of cultural systems that have emerged, despite our biological unity. State organization is just such an evolving "life-form".
 2. As used by many anthropologist, evolutionary analysis of a cultural system or subsystem
 - a. reconstructs the transformations through which the system has gone in the past and provides a taxonomy of the different species or variants that the original system has spawned;
 - b. describes the contemporary structure and behavior of the system in the present,
 - c. identifies the causal forces which have led to the current structures as distinct from alternative outcomes which could have occurred;

- d. identifies the forces (internal processes as well as external pressures) threatening the status-quo equilibrium of the system,
 - e. identifies a broad menu of potential evolutionary "next step" scenarios for the immediate future (including both adaptive and destructive outcomes), and
 - f. identifies levers and windows of opportunity by which concerned agents can veer the system toward more desirable trajectories.
3. I propose that the application of such an evolutionary framework to nation states will permit us to talk about their potential destiny in well-grounded empirical terms, rather than visionary utopian ones. Much academic analysis stops unfortunately with item (c), as detached scholars focus more on the problem of explaining the present than of designing a future. Much utopian analysis, in contrast, jumps straight into step (e), with little respect for real-world evolutionary structures, antecedents, or constraints.
4. In this research I will treat the State as a rapidly evolving societal subsystem. My basic argument will be that the contemporary global landscape of nationally organized regulatory systems is slated, not for disappearance, but for radical evolutionary modification in response to recent technoeconomically generated declines in the comparative competitive advantage of certain types of traditional state behavior. It will be the task of research to specify how and where the structure and behavior of the nation state will evolve. My commitment in this particular undertaking will be futuristic and applied -- i.e. focusing on the final three points enumerated above -- rather than purely explanatory of the present. But the grounding of these predictions and recommendations in knowledge of analogous evolutionary processes that have occurred in the past will hopefully endow predictions with some real world value.
- C. The state within the causal triangle
1. To keep our discussion of cultural systems in touch with reality, we should describe both their structure and their functions. A descriptive model developed by Harris will be used, which analyzes a social system as a composite of three interlinked subsystems: (a) a basic technoeconomic subsystem on which the survival of the actors in the system depends, (b) an organizational subsystem which structures and regulates the interaction of the actors to each other, and (c) an ideological subsystem which generates and organizes beliefs, values, sentiments, and other internal aspects of the human

experience. All societies have some variant of all three of these components. These are referred to by Harris as the infrastructure, the structure, and the superstructure.

2. In Harris' model the three domains are not only structurally linked to each other but causally linked as well. We assume that societal evolution, including the rise and fall of systems such as the nation state, occurs not through random drift but through the operation of complex causal processes.
3. There are dynamic upward and downward cause/effect linkages between these different subsystems, such that change in one subsystem frequently generates systemic shift in the others. Shifts in state organization come about from causal forces lodged elsewhere in society; but these shifts may themselves become a causal force leading to changes in other system components.
 - a. A basic technological innovation affects not only other dimensions of technology; it may also have systemic spinoffs that cause restructuring of social relations. Applying this to the state, the very emergence of state organization in antiquity was due to new organizational demands created by demographic and technoeconomic pressures.
 - b. But inversely and in the short run sociopolitical variables at the structural level can channel, divert, or impede the unfolding of economic processes at the level of infrastructure. States develop autonomous power bases that permit them, for example, to shunt an entire economy into military expenditures or to implement predatory taxation policies that sabotage the stimulus to economic production.
 - c. Superstructural forces can also work downward. The internalization of a new idea or value system can cause the affected actors radically to alter their social behavior. State managed manipulation of collective sentiments can induce citizens to engage in collective behaviors detrimental, not only to their own immediate well being, but to the general unfolding of the economy.
4. Though causal influences can shuttle back and forth between different sectors as exemplified above, the long term trend in human cultural evolution has been for structural and superstructural components to adapt to, to "fall in line" behind, transformations in technological, demographic, economic and other infrastructural determinants. Political systems that maintain a comparative competitive advantage are those which adapt to and plug into the energies of evolving underlying technological and economic systems.

5. Though technoeconomic, regulatory, and ideational subsystems coevolve, they do so at different rates of speed. Subsystems develop their own quasi-autonomous mechanisms, both deviation amplifying and deviation resistant. That is, though political systems and idea systems mold themselves over the long term in response to infrastructural pressures, the short term resistance to change by state authorities can be formidable. The realignment of social organization and social sentiments to mesh with infrastructural change is neither automatic nor instantaneous.
6. The resistance of structural and superstructural features, and of the custodians of these sectors, is strong enough in some societies to impede the unfolding of dynamic change at the base. Political and military elites in positions of power can not only paralyze economic evolution. They can also unleash autonomous runaway processes that are as destructive to the evolving economic system as cancers are to the individual organism. Successful evolutionary outcomes, in which ideological, political, religious, and social forces mold themselves successfully to evolving infrastructure are at best probabilistic; they are never guaranteed.
7. Sector specific resistance to change produces the much discussed phenomenon of systemic "lag": amalgamated systems in which regulatory structures and beliefs appropriate to an earlier period coexist anachronistically (and often uneasily) with a rapidly evolving infrastructure. With respect to the state, the persistence of mercantile policies and nationalistic sentiments in the face of a globalizing economy is an example of such lag.
8. Less frequently discussed, but equally frequent in the modern world, has been the phenomenon of reverse lag: the facade-like decoration of preindustrial postcolonial economies with prematurely complex institutional structures that mimic those of the industrial world. Whether imposed by colonial rulers or adopted through imitation, the tropical world is dotted with air-conditioned but non-functioning Ministries of Agriculture and Ministries of Education under the control of extractive regimes whose predatory infrastructural policies are more akin to those of Attila the Hun. That is: though some systemic mismatches are due to institutional lag, others may be due to institutional mimicry. In either case structure and infrastructure are out of kilter.
9. Both the identification of mismatches and the search for alternatives will be facilitated by translating causal hypotheses into the idiom of "functional prerequisites". The guiding proposition is that particular technologies, whether hunting/gathering, irrigation agriculture or industrialism,

each create system specific regulatory demands for which sociopolitical solutions must be devised. Though there is a rich menu of distinct but functionally equivalent organizational and ideological solutions for each infrastructural challenge -- i.e. the specific evolutionary outcome can never be predicted -- some solution must be found.

10. This concept of functional prerequisites will protect us against premature proclamations concerning the impending demise of the state until convincing alternatives have been identified for accomplishing those obligatory systemic tasks which have been the done by the state from its inception: (a) controlling the use of weaponry, (b) organizing the flow of public services without which demographically dense and technologically complex societies would collapse into chaos, and (c) levying the obligatory taxes without which these services cannot be provided. Our explorations of the future evolution of the state will be inspired principally by the functional needs of a dynamically expanding global economic system; but it must informed as well by anthropological sensitivity to the functional prerequisites that have governed state structure and behavior for the past five millenia of human history.
11. This research will use this causal model, but with the following variation. It is customary to assign cultural subsystems to one of the three domains -- e.g. religious systems are usually assigned to superstructure, governmental systems to structure, and economic systems to infrastructure. I will assume rather that any cultural subsystem has elements of all three components.
12. One's first inclination is to assign purely technical inventions such as the wheel, the bow and arrow, or the steam engine, to the domain of "infrastructure", and to relegate the invention of the State to the domain of "structure". One should be cautious in doing this however. In reality either type of invention must reach into all three domains of the causal pyramid; each requires breakthroughs in technology, social organization, and knowledge systems. Agriculture presupposes sedentary villages; airplanes require both airports and training facilities for pilots and mechanics.
13. Likewise with the State. Though its inventive breakthrough is essentially organizational, it could not have spread and survived without a certain type of hardware, the military hardware required to engineer long term compliance by the ruled to their rulers, or without a certain type of superstructural breakthrough, the ability to create sentiments of loyalty and obedience to those in authority. When the military strength of a ruling group wanes, its ability to command ideological loyalty had better be strong. If the

ideological legitimacy of a regime erodes, it better have an effective military.

In short, this research will be based on Harris' tripartite model for describing the structure of sociocultural systems and for exploring the causal relationships between different components.

D. Energy-harnessing functions of the State

1. One tradition within cultural evolutionary analysis has given center stage to the energy harnessing functions of culture. In this view the prime mover of cultural evolution and of the emergence of new forms are technological advances which permit new modes of energy harnessing. I will apply a modified variant of this concept to the State itself, in trying to understand its past and its future.
2. It will be useful to contrast an energy-harnessing model with a more conventional "common sense" model of the State. Idealistic grammar school teachers transmit to their charges a "service model" of the State -- governments exist to provide needed services. Later on in life disgruntled college professors (at least in the social sciences) will give these same students a more jaundiced "parasite model," in which the State is demonized as an alien intruder that imposed its parasitical presence on human society some 5,000 years ago.
3. In contrast to both the sacralizing service model and the demonizing parasite model, I propose that we view the State as an energy-harnessing strategy. Throughout their evolutionary history humans have devised increasingly more sophisticated energy-capture strategies. The spear-thrower multiplies the energy of the human arm; the bow and arrow harnesses for human use the energy trapped in tensile cord; the invention of horticulture endows human communities with a level of control over stored food-energy not possible to their hunting-and-gathering forebears; plough agriculture harnesses the energy of draft animals; the industrial revolution permitted us to harness the energy stored in fossil fuels. An energy harnessing model of human cultural evolution gives coherence and unity to much of the human drama.
4. It might be useful to apply this same model to the State and to view it as a type of regulatory energy harnessing invention. And here we must introduce a key distinction, which to my knowledge has not been systematically attended to, between two modes of creative energy harnessing. One group of inventors has pioneered strategies for harnessing non-human sources of energy. Another group, in contrast, has focused their creative talents on devising ways on harnessing the energies of one human group to the service of some other.

Whereas the first group harnesses the energies of nature to their purposes, this latter group has specialized in harnessing the energies of their fellow humans.

5. The State emerged in human history as a major organizational breakthrough in the technology of human social control. Unlike the bow and arrow, the sailboat, or the steam engine, which harnessed non-human sources of energy, the invention of the State, with its regulatory bureaucracies and standing armies, permitted certain groups of humans to harness the energies of others to their own purposes. Like oxen harnessed to the plough, humans who live under the control of a State bureaucracy are vulnerable to a greater or lesser degree (depending on the particular State) in having their energies involuntarily harnessed and siphoned to the service of others.
6. Images of bound Egyptian slaves hauling stones up the pyramids under the lash of overseers is a clear example of direct energy harnessing of one group by another. But one's energy can be harnessed by the State indirectly when the part of the product of his labor is forcibly extracted -- as through taxes -- and put to uses alien to his own wishes or intentions.
7. This mode of analysis is admittedly alien to the common-sense model of the State prevalent in the Triad. We are taught in school (a) that a government is essentially a social service agency and (b) that taxes are a necessary byproduct of a voluntary social contract in which responsible citizens contribute to their fellows and to the common good. What appears to be advocated here is a more jaundiced view that (a) a State is essentially an extractive bureaucracy that siphons off part of the energies of its subjects to causes that may be alien to their best interests, and (b) taxes are, in the modern world, the major vehicle of this extraction. In the rosy model, repressive States are aberrations; in the jaundiced model, they are behaving precisely as States have behaved since their origin. In the rosy model, tax evaders, whether individual or corporate, are reprehensible self-serving cheats who refuse to do their share. In the jaundiced model, tax evasion could be construed as a modern form of heroic peasant resistance to the exactions of rapacious rulers.
8. Which model has greater truth value? By virtue of its ability to levy taxes, the State is indisputably, essentially, and permanently a harnesser of human energy. It is only occasionally and in some circumstances a provider of services. And even when it provides these services, only part of the extracted resources may be put to that use. A larger portion of the harnessed energy may be squandered in pursuits totally alien (or even inimical) to the well being of the individuals or corporations who were forced to contribute. The "service

model" of the State is therefore idealized and of little analytic use. The energy harnessing model is a more incisive depiction of the central function of the State.

9. The energy-harnessing model assists us to desacralize and demythologize the State. But it need not and should not lead us to caricature or demonize the State. We can accept as a given that the State is and will continue to be coercive harnesser of part of our energies and a regulator of part of our behavior. The key question is: how much and for what purposes? But our design of the future will be more solid if it is founded on an analysis of the past. To this the paper will now turn.

II. The Origin of the State: Evolutionary Synopsis

A. Societies without government: Pre-state social organization

1. Many anthropologists have propounded a unilineal scheme which identifies several major phases through which human society has passed in its cultural evolutionary trajectory. State level society is merely the most recent
2. The earliest societies, long before the introduction of domesticated crops and livestock, were organized into nomadic bands. The requirements of hunting and gathering precluded a sedentary lifestyle. Each band was politically autonomous - - no outsider could legitimately give orders to anybody in another band. Territoriality was established by custom, not by codified law. There were few if any formal leadership roles. The leader of a band won his status by his own personal characteristics, not by inheritance or by force.
3. Despite occasional ethnographic exceptions, band organization is historically associated with a pre-agrarian foraging lifestyle. It was thus the principal organizational mode during the Paleolithic (the "Old Stone Age" whose culmination was the hunting of large mammalian herds on the open savannas) and during the Mesolithic (the "Middle Stone Age"), when the huge herds had disappeared and human groups had to content themselves with harder-to-capture protein sources in forests and streams.
4. With the gradual transition to cropping and livestock raising (which began in the Old World some 10,000 years ago), human social life was transformed. Nomadic bands were replaced by sedentary tribal villages, tents by houses, wicker containers by heavier pottery, and the high leisure lifestyle of the nomadic hunter/gatherers replaced by the harder weekly and monthly regimes of those who had to till the soil.
5. In early tribal life the village was still an autonomous unit. Leadership roles were more formalized -- the "headman" had a clearer public status than the leader of a band. But the headman still achieved his status through his own personal characteristics rather than through inheritance. Authority was still egalitarian. The headman had no coercive or punitive power over his fellows; he could control their behavior only by pleading or haranguing.
6. Though it surprises watchers of cowboy and Indian movies, tribes as a rule had no "tribal chiefs". The tribe was indeed a broader unit (with vaguer boundaries) than the band; people considered themselves units of a group larger than their immediate village. But they were linked to outside groups,

not through pyramidal chains of authority, but by various types of cross cutting "sodalities" -- age sets, ritual groups, and others -- composed of people speaking the same language, following the same customs, intermarrying, and practicing the same religion. Centralized authority spanning more than one village arose only during military emergencies, and then only as a temporary measure. Human society was still far from the practice of central government. As in the first phase -- the band phase -- so also in the second phase, the tribal phase, humans regulated their interactions with each other through other more egalitarian mechanisms.

7. Structured inequality, in the form of differentials in wealth, prestige, and authority, made their way into human life during the third evolutionary phase, that of the Chiefdom. As with the tribal phase, life was still rural -- the city had not yet been invented -- and occupations were largely agrarian. However the nature of leadership began to change.
8. The chief differed from the egalitarian village headman of tribal society in several key diagnostic ways.
 - a. His position was inherited. Whereas band and tribal leaders had to earn their position, with the chiefdom we have the first example of the automatic intergenerational transmission of authority from parent to offspring.
 - b. He was defined as intrinsically better than his fellows. Whereas tribal society was fiercely egalitarian, with chiefdoms we find the earliest examples of ideologies of inequality. The particular symbols differ from one world region to the other. The right to rule of the chiefly clans of Polynesia were believed to derive from their possessing, from birth, more mana, a mysterious energy-like force of which some clans were believed to have more than others. In medieval chiefdom Europe the same function was served by the concept of better "blood" flowing through the veins of some clans -- the origin of the "blue blood" theme of later European nobility. But wherever chiefdoms are found, we find some rationalizing folk-biological or religious belief that presumably justifies their inborn leadership prerogatives.
 - c. He had higher social status. A visitor to a tribal village would have to make the standard request "take me to your leader". A visitor would not necessarily know who the leader was from visual inspection. Tribal headmen lived in the same types of houses as their fellows, and had the same type of dress (or undress). The chief in contrast lived in a bigger house, wore more elaborate clothing, was treated with special deference and, in some cases, ate special foods which were

forbidden to the masses.

- d. He was free from daily labor. The tribal headman had to crop and harvest like his fellows. In fact he generally labored more than they, since he was responsible for inspiring them to make voluntary contributions from their own gardens to common undertakings. The chief, in contrast, no longer labored, but was a full time regulator.
 - e. He could appropriate part of the produce of his fellows. Whereas the tribal headman preparing a feast for a neighboring village had to contribute much of the food himself and plead or harangue his neighbors for voluntary contributions, the chief had de-facto proto-taxation rights. Local custom gave him the right to demand from his followers a percentage of their produce. The followers in turn expected generous redistributive return on their contributions; the major economic function of the chief in many settings was in fact his redistributive role, either in times of local crisis or on the occasion of acquiring valued trade items from other groups. But nonetheless his inborn right to appropriate part of the produce of his underlings had opened the wedge for the introduction of systematic inequality into human society.
9. In the early chiefdom phase of cultural evolution, however, there was an automatic built-in break to what the chief could do. The chief lacked the principal asset available to the leaders of the next phase (the State) -- a standing army or police force with specialized weaponry. All men bore arms as the need arose, and all had access to the same weaponry. They gave to their chief through custom, not through coercion. And custom also told them what they could expect in return.
 10. It was not, then, until the invention of the standing army, with specialized weaponry not available to the ordinary member of society, that the inegalitarian trends that had made their way into human society during the chiefdom stage could find their full expression in the most recent (and current) phase of human cultural evolution: that of the State.
- B. The earliest states.
1. Earlier theories of the State traced its origins some 5,000 years ago in one place -- Sumer -- whence it was believed to have made its way by diffusion to other parts of Asia Minor and from there to other world regions. Some would even attribute the Inca and Aztec States to some form of prehistoric transoceanic migration of ideas.
 2. Up to the present anthropological research does support the

historical priority of the Mesopotamian States. But our knowledge of other archaic States, and the circumstances of their origin, are more in line with a model of parallel independent invention in different world regions. Just as ancient peoples independently discovered or invented similar devices for the capture of energy from nature, so they independently invented similar organizational forms for harnessing human labor and/or for capturing its products. Diffusion from Mesopotamia can account for Egyptian and early Canaanite States. But the archaic States of India, China, Southeast Asia, the Andes, and the Valley of Mexico appear to have arisen independently.

3. I have indicated above that the standing army was an essential invention for the maintenance of State power. Nonetheless other infrastructural variables probably played a role in bringing it into existence. For example several (but not all) transitions from weaker chiefdom forms of organization to bona fide state organization came in tandem with the invention and spread of groundwater irrigation systems. The freedom of irrigation-based agrarian systems from high vulnerability to droughts, and their ability to produce more produce per harvests and more harvests per year, gave them a startling competitive advantage over earlier rainfall dependent systems.
4. But the construction and maintenance of these systems, and the coordination of region-wide water distribution, required a level of sociopolitical organization much more complex and encompassing than earlier chiefdom forms. It is no coincidence that so many early States formed along the borders of major waterways. Though not the only cause for State formation, this "hydraulic model" of the emergence of States remains a convincing alternative for explaining the emergence of centralized rule in many regions.
5. In Sumer and elsewhere there is evidence that the first rulers of these proto-states were religious rather than military specialists. But this hegemony of unarmed priesthoods was both fragile and short-lived. The transition into bona fide statehood was generally accompanied, facilitated, and solidified by the appearance in history of the standing army equipped with the most sophisticated weaponry available at a given period of history.
6. The mere existence of a town-based non-food-producing priestly bureaucracy ipso facto creates a need for some mechanism to siphon off part of the produce of the rural areas toward the support of that elite. Obligatory taxation, much more regular and systematic than that found among earlier chiefdoms, thus makes its way into human history.
7. Religious devotion may be an effective surplus extracting

device in the short run, but a fragile and unreliable long term basis on which to rely for one's taxes. In contrast those state systems supported, not only by theology and rituals, but also by a well equipped standing army to enforce compliance, were at a clear competitive advantage. It is true that the existence of a full time army trebled or quadrupled the amount which the peasant food producers had to forfeit; but they had the weaponry to secure these heavier exactions. Throughout human history military engagements have been the major occasion for the levying of taxes. And the most important form of tax in the Triad today -- the personal and corporate income tax (which would have provoked a second American Revolution had the government tried to impose it in the early days of the Republic -- originated in both Britain and the U.S. as a "temporary" wartime measure. The close circular linkage between taxes and weaponry has been a constant of human history.

8. In our discussions below of taxation and the globalizing economy, it will be useful to keep in mind the historical origin and central feature of taxation. High school civics courses notwithstanding, at few points in human history -- perhaps at no point -- has taxation ever been a voluntary prestation made by citizens who freely enter into a social contract to mutually support the common good. Taxes always have been and continue to be coercive levies made by bureaucracies buttressed by a full time corps of armed enforcers capable of pouncing on the recalcitrant. In his decision making process, the citizen of the Triad differs little from the peasant of antiquity. His internal struggle to report or not to report a piece of income is determined by a calculation, not of his civic responsibility, but of the likelihood of an audit.
9. The well documented succession of empires in Asia Minor -- Sumerian, Egyptian, Assyrian, Babylonian, Macedonian, Seleucid -- incorporated the same complex of despotic features. Once in existence, however, State forms of organization underwent the same type of diversification and adaptive radiation into distinct local settings that occur in other domains of human culture. In a small number of places and for brief periods of history breakthroughs are made into new organizational forms which are transmitted intergenerationally and survive at least in modified form.
10. A major shift in State organization occurred when that organizational form, engendered in the context of the irrigation agriculture of Asia Minor, was transplanted to Mediterranean coastal regions with a different ecology and a profoundly different economic base. The transfer was made via the Minoan State in Crete which spread onto coastal enclaves of the Aegean peninsula. Overrun by invasions from the north

by representatives of earlier forms of political organization, these enclaves of State organization succumbed around 1200 B.C. But as so often happens, the invaders adopted the practices of those they conquered, modifying them in light of their own political traditions and economic agendas.

11. The result, some 400 years later, was the city-state, a brief but genuine breakthrough into what was, as far as we can determine, an unprecedented experiment in a non-despotic form of State organization. In contrast to the inland and densely populated irrigation agriculture which gave form to the despotic States of Asia Minor, the material base of the Aegean States was an advanced maritime capacity built from the profits, not of centrally administered irrigation agriculture, but of overseas trade (olive oil, silver, pottery). Reliance on sea routes rather than roads distinguished the Aegean peninsula, not only from the States of Asia Minor, but from the Italian peninsula as well, the future cradle of Roman civilization. Though State organization was implanted in the Aegean, the material base onto which it was grafted was so different as to launch it into a quite different evolutionary track.
12. Among the features that justify classification of the Greek city-state as bona fide state organization were urbanization, stratification, slavery, and institutionalized bureaucracy. But the special features of the local material base led to divergence from early State organization in Asia Minor with respect to several core features.
 - a. The fighting force was not a full time mercenary, salaried force, but ordinary males who fought as the need arose and who returned to their normal pursuits on cessation of hostilities ("citizen army").
 - b. Those fighting insisted on (and were granted) a vocal, face-to-face say in decision-making assemblies headed by ruling elders ("democracy").
 - c. This homogeneous group of fellow citizens and part-time warriors developed strong sentiments of exclusion of outsiders (Aristotle himself was never granted citizenship) and attachment to the collectivity of which they were a member ("patriotism").
13. Western historians tend to view these three Aegean city-state disparities as historical breakthroughs of Greek character and genius. At the risk of academic heresy, an anthropologist would be inclined to suggest that they are probably better analyzed as run-of-the-mill behavioral retentions from pre-State chiefdom society. Stated differently these differences between the Greek State and the States of Asia Minor may have

been less a product of Greek innovation than of an infrastructurally generated imperfect evolutionary replication of despotic State organization imported from the east into the coastal setting of Southeastern Europe. These three Greek "breakthroughs" (voluntary fighting by all male group members as the need arise, democratic decision-making assemblies in which all have a voice, and intensive group loyalties) are in fact run-of-the-mill features found in tribal societies (and some chiefdom societies) around the world.

14. Through no intent or malice on their part (but rather through the ethnographic blinders of Western historiography) their preservation of these earlier tribal patterns has earned for Athenians the now indelible status of mythical progenitors of contemporary democracy. Posthumous honor was of little pragmatic value to them, however. Their imperfect replication as well of certain military tactics of the State -- particularly the failure to forge long term military alliances among autonomous city-state units -- led to the eventual defeat of the polis by a more conventionally organized invader from the North (Phillip of Macedon).
15. Probably through a similarly generated parallel process (rather than through imitation of the Greek genius) the early Roman State also retained several pre-State traditions at odds with the practices of eastern despotism. Group membership ("citizenship") and access to local land rights ("property ownership") were prerequisites for admission to the Roman army. Officials were elected by popular vote of different sectors, and the results of these elections continued to be respected even after the democratic Republic had evolved into an autocratic empire. Citizenship was jealously restricted and group loyalties were reportedly even stronger than in Greece.
16. Though its material base was quite different from that of the earliest States of Asia Minor, the Roman Republic did enjoy a stronger and more diversified agrarian base than the Greek polis.

(.... This analysis will be continued up through feudalism into the nation state.....)

C. Universals of state organization

1. Throughout the trajectory of the evolution of the State, from its earliest period up to the present, certain core features have remained permanent. For evolutionary analysis a distinction must be drawn between the essential features of state organization (which, if absent, would lead us to classify the society as non-state) and those evolving accidental concomitants of state organization which change over time.

2. There are several regulatory innovations which entered human history with the first States and which, despite subsequent localized evolutionary modifications, are still with us. These will be here treated as defining core features of state organization. (If they are absent we are not dealing with an anthropologically typical state).
 - a. A structure of full time non-producing regulators who earn their livelihood by monitoring, regulating, and/or managing the behavior of those social groups on whose productive activities the material survival of the society depends. Though the regulation may be facilitative of productive activities, it may also be disruptive or simply predatory.
 - b. A shift to territorial principles of control, by which all people within the state's geographical boundaries are viewed as subject to state control.
 - c. The erection of barriers at these boundaries to impede the free flow of four crucial factors: people, commodities, money, and information.
 - d. Non-voluntary mechanisms of tax or tribute collection to support the agents of the regulating bureaucracies.
 - e. Redistribution of at least some of the revenues collected back to the population in the form of services.
 - f. Formally codified non-military mechanisms of internal conflict regulation (laws, courts).
 - g. Full time standing armies, here defined generically as any officially licenced group of weapons-bearing enforcers of law or public policy. The concept "standing army" here would also include traditional police forces charged with internal order.
 - h. Monopoly of effective weaponry by these standing armed forces, generally not by total removal of weapons from civilian populations (e.g. knives are universal and guns widespread), but by legal restriction of the more advanced weapons (be they iron chariots or Patriot missiles) to the official armed forces.

This list is not exhaustive. The features selected are those of potential relevance for this research.

3. The question is posed as to why state forms of organization, if they are recent and non-essential to the human condition, have driven out all other forms of societal design. Points

(f) and (g) above would have to figure prominently in any explanatory equation. Cross cultural statistical hypothesis testing has alerted anthropologists to the fact that the emergence of more cohesive organizational forms in human evolutionary history often derives more from the comparative competitive military advantage of the new arrangements than from purely economic considerations. Though the state contributes to (and/or wreaks havoc in) both economic and military spheres, the disappearance of non-state forms of societal organization has been caused less by the economic advantages of creating local states than by the military dangers of not creating them, particularly in the face of neighboring states with their full time standing armies.

4. States have almost universally orchestrated compliance through a combined and gradated sequence of measures spanning a gamut from voluntary, through coercive, to punitive.
 - a. Ideological conditioning. All human societies, whether state organized or not, attempt to engineer voluntary compliance with social norms through the instilling of beliefs and sentiments, usually at an early age, concerning right and wrong. States add to the ideological devices present in pre-state societies an additional cluster of beliefs and sentiments about the legitimacy of the state itself. In engineering legitimacy and loyalty, states differ from each other in terms of their choice of religious or secular legitimizing motifs; but virtually all have promoted the internalization of patriotic sentiments through numerous vehicles, including emotion-provoking public pageantry and the management of information, especially during times of crisis.
 - b. Legal systems and courts. Sentiments are unreliable as a long term sustainer of compliance. From their inception states have relied more heavily on codified bodies of laws and on judicial procedures for managing internal conflict. These procedures are enforced by armed representatives of the state, whose interventions are themselves legalized and, at least in principle, regulated by these law codes.
 - c. Extralegal military or police action. As a final backup, however, the unprecedented control exercised by states over local state-of-the-art weaponry have permitted them to override sentiments, customs, and legal codes, and to impose their will on populations in a manner that would have been inconceivable throughout 99% of human history. The subordination of military to civil authority is a fragile, transient phenomenon.

5. In terms of the above features, modern nation states do not differ fundamentally from archaic preindustrial states. They continue to exercise the same core functions as the pristine states of antiquity. Evolutionary change has brought about modifications in the manner in which these functions are executed, and additional functions (monetary regulation, social security, universal education, etc.) have been added to the functions of industrial states. But these changes are variations on ancient themes. Industrial states are best conceptualized then, not as a new organizational invention, discontinuous with its antecedents, but rather as a modern evolutionary variation of an historically stable regulatory strategy that has been with us for 5,000 years.
6. These insights into the stable systemic features that have characterized governments throughout human history give us an anthropologically firmer platform from which to launch our probes of future alternatives. Utopian approaches to the future can operate deductively, can "start from scratch", and can base themselves purely on logically consistent ideals. Evolutionary approaches in contrast will, unless there is compelling evidence to the contrary, predict continued change in domains that have empirically been changing but continuing stability in those basic domains that have remained stable through time.
8. The historical stability of the core features enumerated above derives from the objective organizational requirements of societies that have risen above certain demographic and technoeconomic floors. The requirements can be met by a variety of functionally equivalent solutions; hence the cross cultural variety in the details of states with similar technoeconomic underpinnings. But the prerequisites must be met in one fashion or another.

III. The Evolution of State Economic Behavior

A. Archaic and Feudal Systems

1. Plunder, booty, slaves on war expeditions. (Allude to the Nazi sack of art treasures and the plunder of Kuwait by Iraq).
2. Tribute.
3. In the past rulers raised money for wars and they disposed of revenue as they saw fit.
4. Some authors believe that only since the late 17th century have legislatures had a say in directing government expenditures. This contradicts the information on Rome, where at different periods the Senate had control over the disposition of revenues. Powerful emperors backed by the Praetorian Guard and Roman legions could, of course, overrule the preferences of the Senate. But the ability of the military to ignore constitutional procedure is not an exclusive characteristic of premodern states. Military dictators and corrupt politicians in modern nation states can do the same. To repeat a point made earlier: analysis should deal less with chronological periods than with structural transformations.
5. Under feudalism rulers collected dues. A shift to taxation.

B. Pre-modern Nation State

1. Emergence of legislative vs. executive branches of government. Competition arose over funding. Eventually citizens themselves entered the debate and demanded a say in the process.
2. Budget offices and appropriations committees.
3. Importance of conflicts over taxation in the forming, not only of new state entities, but of entities that follow different rules of the game.
 - a. England: Magna Carta of 1216 limited power of ruler to tax. But controlled only appropriations. King determined what was done with the money. Only in 17th century did Bill of Rights move Parliament's say beyond taxation into allocations.
 - b. France: Rev. of 1789 fought partially over issue of who controls tax revenues.
 - c. U.S.: Revolution was over issue of taxation without representation. Struggle between Jefferson (who wanted

congressional power) and Hamilton, who wanted the Treasury to have power over expenditures.

4. What has emerged with modern accounting procedures is a formal procedure for planning both appropriations and expenditures. Def. of budget: a forecast of revenues and expenditures for a given period of time.
 5. The formalization of state budgetary procedures initially may have evolved as a vehicle for organizing information about the sources, quantities, and destinations of the cash flows passing through state coffers. In this sense a state apparatus has the same informational needs as any modern corporation.
 6. Balanced budget. There has been evolution from a notion that a budget should be balanced to a notion that the government can operate on deficits, principally through borrowing.
- C. Emergence of the Modern State
1. The technoeconomic breakthroughs that drove the shift from agrarian to industrial society were associated with the harnessing of a new energy source, fossil fuels. Though new energy sources are now being explored, these alternative energy regimes are not the infrastructural driving force for the most important changes currently occurring in society.
 2. The technological breakthroughs driving today's structural evolution have been made in the domains of transportation and communication. Even in the face of unchanging (or increasingly expensive) fossil fuel energy regimes, these transportation and communication breakthroughs have served to unshackle capital, labor, and commodity movement from the geographical constraints that have traditionally prevailed throughout human history.
 3. As a direct result, the state policies, interventions, and regulatory behaviors that were adaptive to and facilitative of the earlier shift from agrarian to industrial economies have now become impediments to the fully transnational economy that is struggling to emerge.
 4. The shift from agrarian to industrial economies several centuries ago was facilitated by the invention of machines that could harness new energy source, particularly in the form of fossil fuels.
 5. Under pressure from this evolving infrastructure, the state apparatus, though retaining several core features from archaic and medieval forms of state organization, has shifted both its structure and its behavior to accommodate itself to the

special needs of industrial economies, creating the phenomenon of the modern nation state.

D. Increases in State's share in the economy

1. There has been an evolutionary shift in the percentage of national income controlled by the state apparatus. (The question is whether in antiquity States did not control much as well.)

E. Ineptitude and corruption in State economic behavior.

1. Absence of scrutiny.
 - a. Social security funds treated as other pool of money.
 - b. Scrutiny of superficial behaviors, not technically complex processes or results. Procurement behaviors of the military are autonomous.
 - c. Behavior of revenue generating units such as post-office not scrutinized. Only gross fiscal balances -- surpluses or deficits -- are examined.
2. Diff. btw. gov. and private sector budgets.
 - a. Gov. budgets will focus more on the mechanics and timing of income and expenditures, less on the results. Focuses on salaries and tasks of civil servants.
 - b. Gov budgets tend to be self-perpetuating.

IV. Revenue Raising Strategies of the Modern State

A. Taxation

1. A tax is any type of coercive levy. Would include not only things we call taxes in English, but also prestations that are given other names, such as "tribute", or an obligatory "contribution" to Social Security plan.
2. Taxation is central to the State. The State is characterized by urbanization. There is a corps of full time non-food-producing rulers and non-food-producing military. Therefore there have to be mechanisms of siphoning off part of the produce of the rural food producers.
3. Taxes are a common core features of all States. That has not changed. What has changed are the types of taxes, the manner of raising them, and what they are used for.
4. The taxation behavior of the State is important for the globalizing economy. Taxes play positive functions, in generating the revenue for absolutely essential social services -- law and order, education, roads, ports, and other infrastructural items -- for which private sector actors are both unwilling and probably unable to assume general responsibility. But taxes can play devastating functions as well. It is known that excessive taxes can suppress productivity and the willingness to invest.
5. Corporations operating in several jurisdictional units are vulnerable to the danger of being taxed doubly or inconsistently. It is easier to resolve these problems and reach agreement between states or provinces within the same national territory than to reach international agreements.
6. A historically informed view would have to recognize taxation, not as a voluntary contribution of a free citizen, but as a type of extractive levy that evolved in human history as the result of differential power relationships buttressed by armed coercion.
7. One way of distinguishing between direct and indirect taxes: call them one-time taxes vs. annual taxes. Income taxes, head taxes, and real estate taxes are collected year after year. Excise taxes tend to fall into that category as well. Sales taxes in contrast are collected only on the occasion of the transaction.
8. Structural factors -- the state of organization of the taxing capacity -- has determined the shifting importance of different types of taxes in governmental history.

- a. It is easier to tax imports than domestic output. Thus States of antiquity relied heavily on taxation of imports.
- b. With respect to consumption taxes, the simple turnover taxes (collected directly on the price of sale) preceded the more sophisticated value added tax in which credit was given by the taxing authority for taxes that had already been paid on the commodity at earlier stages of the production process.
- c. Of the several types of direct personal taxes, the easier ones to identify and collect are simple head taxes and taxes on real property.
- d. The ancient world collected less revenue from taxes than from other sources such as revenues from rents on royal properties. Within taxes, however, tariffs generated more cash than internal excise taxes (which were also collected). Real estate transactions were taxed as well.
- e. Ancient tax laws made distinctions between different classes of people -- free vs. slave (Greece), citizens vs. residents of conquered countries (Rome).
- f. Ancient rulers distinguished between ordinary taxes and special taxes levied during war. The most common type of special war tax was a tax on real estate.
- g. Roman citizens paid a head tax (tributum). Julius Caesar also introduced a 1% sales tax on transactions (centesima rerum venalium).
- h. The ancient world had three levels of sophistication with respect to the precision of land taxes. In Persia and Egypt land was taxed irrespective of its value. In other settings distinctions were made between plots of differing productive value. The most sophisticated discrimination was made by tithing systems, which took a tenth of the produce.
- i. Rome had an inheritance tax of 5%, later 10%, levied on all but close relatives of the deceased.
- j. In the ancient world most tax collection was farmed out to private agents. Only later (e.g. under Caesar in Rome) did government employees themselves start collecting. (This is a reversal of another general trend toward privatization; no country is farming out the collection of taxes to private collection agencies.)

9. Post-Roman European trends:

- a. With the deterioration of administrative capacity in the middle ages, many of the sophisticated taxing systems of the ancient world declined.
- b. For direct taxes, medieval rulers relied on obligatory service arrangements ("aids").
- c. In addition there were transit fees and market fees.
- d. In the cities taxes on certain foods and beverages were divided between producers and consumers.
- e. In latter part of Middle Ages several types of direct taxes were levied in German and Italian cities. They distinguished between the poor, who paid a simple head tax, and the wealthy, who paid income taxes. The latter was administered through self-assessment by oath before a public authority.
- f. Land taxes and taxes on houses gradually spread.

10. Impact of war on taxes.

- a. Wartime has been used by rulers as an occasion for levying additional taxes. E.g. the custom in ancient Rome.
- b. Britain introduced the income tax in 1799 to help defray costs of a war with France and introduced a turnover tax on sales in 1940.
- c. Germany introduced a turnover tax in 1918.
- d. The withholding of income tax from salaries began as a wartime measure in France, the U.S. and Britain.
- e. Income taxes used to be levied only on certain subclasses of individuals (e.g. upper classes or government employees). After WWII it became a regular tax levied on everybody.

11. Modern trends in taxation.

- a. Rulers lost the right to arbitrarily levy taxes. It must now be done by legislative bodies. At first the restriction was simply on collection. Rulers could spend as they wish. Eventually restraints were placed on the spending as well.
- b. The level of taxation has risen throughout history, whether measured by the ratio of tax burden to total

assets borne by the taxpayer, or by the aggregate measure of the ratio of tax revenues to total societal output.

- c. There has been a trend away from collecting taxes in kind or in service. They are now collected in cash.
 - d. Tax collection has become less privatized and more under direct governmental control.
 - e. The use of sale taxes and other consumption taxes on transactions has risen. (It is still of minor importance in the U.S.). The nature of sales taxes has become more sophisticated, from turnover to value-added.
 - f. Real estate taxes and business licencing taxes have declined in importance and relegated to local level rather than national importance.
 - g. In modern tax systems the most important taxes are: personal and corporate income taxes, payroll taxes, sales and other consumption taxes.
 - h. Some countries supplement income taxes with a tax on net worth.
 - i. Most income tax systems use gradated rates, though there is a trend away from heavily taxing the rich out of concern for negative impacts on production.
12. In the interplay between national governments and local regional governments, the national governments have managed to capture a larger percentage of the total tax burden. The most lucrative taxes are left to them -- income, payroll, and value-added taxes. Less important taxes, such as property taxes, are left to local government.
 13. A recent development in the provision of revenues to local governments has been the invention of revenue sharing plans by which, in addition to getting revenue from local taxes, they also get money from the central government.
 14. Certain types of taxes -- income, sales -- increase revenues as the economy increases. Other types of taxes are not such as to rise and fall with the economy -- real estate taxes.
 15. Since the time of Keynes taxes have been used as well for countercyclical functions -- to speed up or slow down the economy and to cushion fluctuations in employment rates, prices, and overall production. This is a "fiscalist" position. "Monetarists" prefer to use monetary policy. Others question the efficacy of either approach.

16. Tax receipts are believed to have inherent anticyclical effects. Some of the dynamics are automatic. Income taxes show the strongest sensitivity to cyclical movements in the economy. Other measures are discretionary interventions that alter either the taxed base or the tax rates. The dilemma is that the measures may be implemented too late, or the effects may take too long to be felt, to permit them to be of use in countercyclical functions.
17. Governments are aware that when tax burdens reach a certain limit production will decrease as tax-motivated diversions of assets into non-productive activities will occur. Evasion will increase, and total State revenues will decline. I.e. there is a point at which increases in tax burdens may actually lead to a decrease in total State revenues.
18. Some tax measures are believed to be able to stimulate the economy. More indirect, fewer direct taxes. Special tax incentives to save, to relocate, to do R & D. Keep tax rates low.
19. The issue of shifting and incidence. Burden of a tax may not necessarily be borne by the person legally obliged to pay it. Forward shifting: U.S. sales taxes. Backward shifting: the producer, in anticipation of the tax, is willing to pay less for raw materials or lower wages. No shifting occurs if the person paying the tax accepts a lower net return.
20. Tax capitalization occurs when the value of an object decreases in anticipation of taxes. If high taxes on gasoline decrease the market for luxury cars. This occurs when the sale price of an asset is lower because of the capitalized value of the tax.
21. Governments do not rely on the same court procedures for collecting unpaid taxes that private citizens have to rely on for collecting unpaid debts owed to them. Governments endow themselves with special collection rights.
22. Synchronic intercountry differences in taxation practices.
 - a. Triad countries rely more heavily on individual income taxes than developing countries. The latter rely more on corporate income taxes than Triad countries.
 - b. Among developing countries reliance on corporate income taxes rises with the level of income of the country.
 - c. Poorer countries rely mostly on tariffs and to some degree on various types of taxes levied on consumers.
 - d. Many developed countries rely heavily on value added tax

(rather than turnover taxes).

- e. Social security taxes are more important in wealthy than in poorer countries.
 - f. The ratio of tax revenues to national economic output is much higher in developed than the poorer developing countries. Governments of wealthier developing countries move in the direction of those of developed countries in appropriating more of national product to themselves.
23. Throughout most of history the object of taxation has been either visible objects, commodities or events. Ancient and medieval rulers long ago established mechanisms for levying taxes on travelers or goods crossing jurisdictional borders, and on real property within borders. They had also experimented with commodity-specific taxes levied on certain classes of expensive luxury objects (forerunner of today's excise tax on expensive consumer durables) and even with general consumption levies on all transactions, ancestor of today's sale taxes and value added taxes).
24. The most salient and irritating type of levy today in the Triad, the personal income tax, is in fact a recent innovation, product of technological breakthroughs in the ability of rulers to gather information on those ruled, and of organizational breakthroughs in their ability to enforce compliance.
25. Economists attempt to distinguish first between direct and indirect taxes and admit that the lines can be blurred. In general a direct tax is a tax levied on an individual or corporate entity (income tax, head tax) and an indirect tax is one levied on a commodity or service (e.g. sales tax, value-added tax).
26. Three major types of direct taxes can be distinguished: taxes on personal income "others", a category comprising several types of minor importance. Both groups and all subgroups have in common that they the taxed unit is a person, either actual or juridical.
- a. Income taxes. These are recent in human history and still unusual in the Third World (either because the population has little income to tax or because the State lacks the administrative capacity to collect them). But they are a major source of revenue (and a focus of concern, complaint, and creative evasion) in the Triad.
 - b. Other direct taxes. Different societies have experimented with (i) spending taxes, levied on an

individual for all his assets which are not explicitly put into savings); (ii) net worth taxes, levied on him for his assets minus his debts; and (iii) death taxes, which tax him posthumously for his entire estate as a whole or tax individual bequests to specific inheritors. Throughout the world these types of taxes collectively pale in statistical importance to the income tax, both in terms of their prevalence and in terms of

27. But the State, throughout its history, has found other indirect routes for taxation.
28. Managerial function of taxation: encourage certain activities.
29. Intersocietal differences in the process of taxation.
 - a. England: fragmented and secretive processes. Little discussion for public consumption. Little change brought about.
 - b. U.S.: much public debate and substantial changes.

B. Borrowing

1. The most ancient way of financing is through taxes. Borrowing may not have come in until the middle ages.
2. Early sources of loans: private financiers rather than citizens.
3. The most frequent "productive activity" around which earliest government borrowing focused was warfare. The game plan for paying back expenditures on weaponry and on the salaries of soldiers was plunder, tribute, marketable slaves, and other forms of income coming in the wake of a successful war.
4. The rules of the game have changed in modern times. Plunder still occurs; Nazis stripped Paris of much of its art work; Iraqis emptied the national coffers of Kuwait. But financiers no longer lend to rulers, at least publicly, on the basis of a loan recuperation schedule dependent on successful plunder.
5. A conservative modern approach to government borrowing behavior would be to insist on adherence to the same rules that govern non-emergency private sector borrowing: to avoid borrowing for ongoing consumption costs and to restrict borrowing to done to finance productive assets or activities that, in the worst case scenario, will at least yield enough revenue to repay the capital and interest on the loan and, ideally, will generate a profit.

6. Governments, however, can and do ignore such strictures with an impunity not available to private sector actors. A good portion of the funds borrowed by predatory regimes in many Third World countries is reported to make its way into the private Swiss bank accounts of the functionaries who have indebted the future generations of their country. Third World regimes, however, have no monopoly on fiscal shenanigans.
7. Why can governments behave this way with short-term impunity? There are several reasons:
- a. They can legally do it. They have power.
 - b. They have devised a borrowing mode that places the borrower in a structurally more powerful position than the lender. Though both generate indebtedness, bank borrowing and bond issuing have different power implications. In the case of bank borrowing, it is the borrower who goes hat in hand, and the greater concentration of solicited resources in one or a few potential lenders endows each of these lenders with greater power to block a questionable loan by simple refusal. Collateral requirements place the borrower in jeopardy in the case of default.
 - c. In contrast borrowing through bonds reverses the relative power of the interlocutors. The borrower is in a greater position of economic, political, and social power than the lender. The power position of a private sector agent who lends to a state bureaucracy by purchasing a bond is substantially weaker than the position of the state system that issues that bond. In the case of a bond the lender (a) accepts a substantially lower rate of interest than if he had lent the same amount of money to a neighbor or relative and (b) forfeits for all practical purposes the right to secure repayment through collateral in case of default. He will generally not be aware of the activity for which he is lending money and may not even, in fact, conceptualize himself as a "lender."
 - d. To answer the question, then -- why are governments freer to borrow money irresponsibly? -- part of the answer resides in the lower level of accountability required by the borrowing system which governments themselves have devised and regulate, a system in which they, not the lenders, retain ultimate power.
 - e. But this is only a small part of the answer. A default might not put a government out of business, but it would make it difficult to secure future funds through that

route. The major source of government's power to borrow irresponsibly is to be found rather in its unique power to tax. If the activity for which funds were borrowed fails to generate revenue, the debt will simply be serviced through taxation: a convenient mechanism which no private sector borrower enjoys.

- f. Whether taxes are raised, or current tax revenues are diverted from social services to debt service, fiscally irresponsible State functionaries can satisfy their creditors through a bail-out option available to no other economic actor.
- g. Indeed, if we probe behind smokescreens, much of the "borrowing" of modern States turns out in fact to be a camouflaged form of delayed taxation. The low percentage of bond-financed undertakings that generate bona-fide internal revenue flows means that the bill will eventually have to be paid by those taxed.

C. Beneficiaries of State borrowing.

- 1. The justification for modern State borrowing is generally phrased in terms of long term social and economic benefits to the population at large. A skeptic might rightfully insist on shorter-term cost/benefit analyses. It is indisputable that in a short time horizon it is the borrowing public agencies and their employees (or contractors) paid to implement the projects who are the immediate beneficiaries.
- 2. But no means are they the sole beneficiaries. All of the tax-free interest income goes to the bond holders; at most they will pay only some of the taxes to cover it (if they happen to be tax-payers in the territory of the debtor). Since the bond-holding creditors are overwhelmingly members of economically more powerful social sectors, it is neither crankiness nor paranoia to suspect that this type of governmental bond financing functions in effect as a reverse redistributive mechanism channeling benefit flows upward -- a perverse, unintended outcome for borrowing presumably undertaken with a view to the common good. The benefits to the population at large of many bond-financed activities are diluted and/or putative. In contrast the revenues to bond-holding creditors are verifiable, measurable, incontestable - and non taxable.
- 3. To point this out is not to deny the legitimacy or potential utility of State borrowing. On the contrary we should encourage even further penetration into State operations of the rationalized income generating and cost/benefit calculating practices of the private sector. A State that

financed its activities mostly by borrowing from its citizens and repaying them with both social services and tax-free interest income would be far superior to a coercive regime that collects but provides few services in return for the resources extracted.

4. States can behave in fiscally irresponsible ways with short-term impunity. I emphasize "short-term" impunity. Balloons burst and houses of cards tumble.
 5. Current expenditures vs. capital expenditures. The theory is that current expenditures should be raised through taxation. Governments should borrow to finance, not ongoing administrative operations, but capital expenditures, which will result in benefits over the long term to society. Some will be recuperated by user fees (postage, tolls, admission fees to parks, etc.) Others will be absorbed by society.
 6. Gov. borrowing is so enormous that it affects capital market, interest rates, and availability of credit.
- D. For-profit activities
- E. Impact of state behavior on the economy

V. Regulatory behavior of the Modern State

A. The emergence of macro-tinkering.

1. The modern State is more than one economic actor among many. With its power to influence local economies, the state budget has itself to some degree become a vehicle of economic control. Modern states have demonstrated their ability, through fiscal and monetary policies, to influence at a macro level rates of employment, productivity, and inflation and, at a micro level, the economic behavior of corporations and of individuals. For better or (perhaps more frequently) for worse, state ministries routinely take it upon themselves now to accelerate or to slow down their national economies, or to veer them in different directions.
2. Evolution of managerial functions of gov. fiscal policy. At first the impact of gov. revenue raising (through borrowing or taxation) and gov. expenditure on the local economy was a secondary side effect. But eventually the notion dawned that governments could intentionally affect the stability of the economy, employment levels, recessions, inflationary trends and the like. The purely extractive functions of gov. fiscal and monetary policy evolved, as behaviors formerly oriented toward extraction and enrichment of rulers took on managerial, service functions.
3. The budget has been a major element of this regulation. Evolution of function of budget: from vigilance to management.

VI. Redistributive Functions of the Modern State

A. Examples of redistributive mechanisms

B. Subordination of redistributive functions

1. Redistribution: retirement funds and pensions. There has arisen the notion that retirement funds and other social security funds should be collected and placed in a separate fund. Government viewed as a trustee. Bismarck utilized this in the late 1800s. England used it after WWII. But these funds tend to get used for other purposes. The revenues generated will be used for other tasks. And expenditures will be made irrespective of the state of the fund.
2. In budgetary disputes redistributive items are the most vulnerable.
3. Redistributive funds raised through taxation.

VII. The State in the Globalized World of the Future

A. Passive prediction or active design?

1. Evolutionary forecasting is a stimulating but hazardous undertaking. It is easier to reconstruct empirically the developmental trajectory of an existing lifeform, working backwards from known contemporary forms to known antecedent forms, than to anticipate accurately the multiple directions in which a system could veer in the future. We predict one set of pressures generating systemic stability and resistance to change on the one hand, and another set of pressures for systemic change on the other. To avoid repetitious qualification: no prediction of the future appearing below is meant to extend beyond the year 2100.
2. In forecasting the forces for change, we will be guided by a cultural materialist paradigm and will predict the simultaneous coevolution of selected infrastructural, structural, and superstructural variables in directions that enhance the nation state's ability to link up positively to the processes of globalization.
3. But should we view ourselves as simply forecasting processes over which humans -- or at least those writing -- have no control? Or should we be providing design guidelines for intentional interventions? We need not assume that all of the changes through which the State will traverse will be blind and unplanned. One would hope that the State, being a product of human cultural evolution, can be intentionally rethought and redesigned rather than left to the mercy of blind or mystical macro-forces beyond human control. But at the same time we will have to recognize the gap between what is logically desirable and what is feasible in terms of real-life next steps. State bureaucracies not only have their own internal logic. They are also in a position, more so than any other type of institution, to perpetuate and impose that logic on other sectors of society. If our knowledge of past transformations of the State justify optimism, it should be tempered by a caution born of our awareness of its power to resist change.
4. However the ruling apparatus of the nation state is a special type of structural entity which has a greater capacity for resistance to change than most other organizational entities. Its unparalleled juridical, military, and economic power endow it, at least in the short term, with the legal power to refuse rational accommodation to objective infrastructural needs and even to convert entire economies into irrational channels -- such as military expansion -- that may actually bring a society to ruin.

5. With both optimism and caution, therefore, the following section will discuss (a) specific areas in which current state policy will probably evolve to facilitate the forces of globalization; (b) the obstacles that might prevent that institutional adaptation; (c) the steps which representatives of the productive sector could take to encourage the evolution of the state in the appropriate directions; and (d) some of the potential unintended backfires which could occur if the shift is made. Reserved for a later section will be the question of the simultaneous parallel evolution of suprastate regulatory bodies. This section will focus directly on changes within the system of territorially defined States

B. Survival of the nation state

1. The short term structural impact of economic globalization will affect selected spheres of state behavior rather than the basic structure of the state or its very existence as a regulatory entity. The state will evolve (in manners to be discussed) but not disappear. Processes of fragmentation and consolidation will, it is true, alter current borders and lead to the disappearance of this or that particular state. Furthermore the overall power of existing states and the relevance of existing borders may be weakened. Nonetheless neither state organization as a regulatory strategy nor the maintenance by states of geographical borders is slated for disappearance in the foreseeable future. That is, there will continue to be territorially organized systems that
 - a. regulate the behavior of those living within specific borders;
 - b. coercively appropriate greater or lesser percentages of the produce of those subject to their rule;
 - c. redistribute part of the appropriated resources in the form of services to the population from which the resources were extracted;
 - d. codify laws to regulate interpersonal and interinstitutional conduct, and erect tribunals to adjudicate disputes;
 - e. hire, train, and equip armed agents for military and police enforcement;
 - f. pursue public legitimacy and the voluntary allegiance of citizens by invoking nationalistic, linguistic, and/or religious symbols and by capitalizing on human predispositions for insider/outsider sentiments and beliefs.

2. These predictions of the survival of the State as the dominant political form in no way implies stability of the current geopolitical map. Territorial boundaries may shift; they may become more permeable under the impact of globalizing pressures; new state entities may come into existence; old ones may disappear. It is the current system which will survive -- i.e. a system of territorially organized regulatory centers with external boundaries and internal regional and functional subdivisions.
 3. For the foreseeable future we should therefore expect neither a stateless world through the disappearance of all government (as foreseen by certain utopian models of the political left or right), nor a borderless world brought about by consolidation of all power into one centralized world government. We make these predictions on the basis of
 - a. a number of essential regulatory and managerial functions currently filled by the nation state (which will be discussed in the research). Of particular importance will be the maintenance of current mechanisms of taxation and military force, the two principal prerogatives of the state. States are unlikely voluntarily to yield their sovereign prerogatives in these domains.
 - b. the absence of any alternative privatized mechanisms for filling these core regulatory functions;
 - c. the apparent long term non-viability, and stifling economic consequences (also to be discussed), of centralized state systems that rise above a certain size and a certain level of internal linguistic and cultural heterogeneity. (The world government issue will be discussed in a later section.)
 4. Impatient forces of globalization are therefore unlikely to bring about the demise of the nation state. The unleashed energies of a globalizing economy will rather encounter and have to adjust their movement to the to the less dynamic but equally compelling structural agendas of the regulatory sector. As has happened in the past, both forces will partially yield, as a new modus vivendi, an evolutionary compromise, emerges.
- C. Lowering of barriers to movement.
1. The preceding section dealt with forces of stability. But there are also forces for change. A major source of political change throughout human history has been the spread of new energy sources or new energy harnessing technologies. But these are not the only source. Though there have been no recent fundamental shifts in the dominant underlying energy

regime (solar and nuclear sources of energy remain ancillary to fossil fuels), recent technological breakthroughs in communication and transportation permit unprecedented rapidity in the physical movement of four key productive elements;

- a. personnel, whether managerial, technical, service, or manual labor;
 - b. commodities, both raw materials, marketable outputs, and service related commodities.
 - c. information, whether the content of the information transferred be specific technical knowledge, managerial decisions to be communicated long distance, information about consumption and living standards in other countries, intentionally designed messages to encourage acquisition and consumption of specific commodities, or information on current events. (The breakthroughs being alluded to here are not in knowledge or information per se -- which would be superstructural variables -- but in the physical tools and media used to transmit this information.)
 - d. capital, particularly in the form of electronic transfers. (The physical transfer of currency itself is less frequent; even rarer is the physical transfer of bullion.)
2. The continuing survival of state-mandated restrictions to the free flows of these factors is an example of a paralyzing lag between the infrastructural reality of an evolving technology and archaic elements of sociopolitical organization appropriate to an earlier phase of the economy. In many countries agents of the state, either through misinformed policies or through pressures from less progressive sectors of national economies, continue to refuse to remove the now obsolete barriers to international competition and to factor movement, thus preventing the emergence of the permeable boundaries that are required in the newly emerging globalized economy.
 3. We predict a short term victory, in more advanced industrial systems, of the forces promoting demolition of traditional barriers against the free flows of personnel, commodities, information, and capital. This will result in an increase of the permeability of the borders along which barriers have traditionally been erected. (The flows of factors of production themselves are infrastructural; the organizational changes required to implement these flows would, of course, be assigned to the domain of structure.)
 - a. It is here that current infrastructurally generated

pressure is greatest; and it is therefore in these domains that evolution will most likely lead to modifications in state behavior.

b. Some states will take the lead; but the comparative competitive advantage of these barrier demolition measures will stimulate others to follow their lead.

c. Some barriers will dissolve more quickly (e.g. barriers to information flow), others more slowly (e.g. barriers to the free flow of labor). Differences between factors in the speed of the activation of free flows will at least partially be related to the nature of the factor itself. Information is easier to transmit and harder to block than material commodities or human beings.

D. Standardization of taxation practices

1. Nation states will retain the exclusive right to tax those within its boundaries. Any joint economic undertakings on the part of supranational bodies will be financed by transfers of tax collected revenues from nation states to those bodies, rather than by direct taxation of citizens by those supranational bodies.
2. Though corporate interest groups will advocate for a lowering of certain types of tax, there will be no basic challenge from the business community of government's basic right to exact levies. Business will continue to depend on publicly financed infrastructure -- roads, ports, airports, schools, and the like. Though design, construction and maintenance tasks may be contracted out to private entities in some societies, the population at large, including the business community, will expect the state to shoulder the burden of financing much infrastructure through publicly generated revenues. The trend toward the privatization of services that in many polities were formerly public -- e.g. electricity and telephone services -- is not likely to lead to a total privatization of infrastructural provision.
3. We have already alluded to the danger of double taxation for businesses whose operations span more than one taxing jurisdiction. We can predict that in a globalized world the current structure of purely bilateral agreements between dyads will yield to an international system of standardized transnational taxing rules.

E. Retrenchment from macro-tinkering?

1. Though many observers suspect that governmental fiscal and monetary tinkering (honorifically labeled as "fine tuning") has produced more backfires than success stories, there is no

evidence that publicly employed economic planners are about to cease and desist. Therefore corporations which are still "national" in a conventional sense -- headquartered geographically in one nation state, controlled by citizens of that particular state, and restricted to local activities -- will continue to be the beneficiaries or victims of these ministrations from above.

F. Privatization of public functions

1. Inconsistency between taxation and user fee modes. For user fee services you don't pay unless you use it -- post office, toll roads. But the educational establishment has succeeded in converting education into a taxation mode. This endows mediocre incompetent establishments with a monopoly over public funds. Parents who wish better alternatives have to pay double. The dilemma could be resolved by privatization, which could occur in two ways:
 - a. private contracting of competitive educational units or
 - b. transfer of monies directly to parents, via a voucher system, allowing parents to choose their own schools.

Under either scenario the providers would be competing private sector agents.

G. Increasing economic competitiveness

1. Corporations that are territorially, juridically, fiscally, and managerially transnational have options not available to businesses restricted to one national territory. If the behavior of a given state is viewed as restrictive (e.g. prohibitions against repatriation of profits to another national territory) or perverse (e.g. excessive taxation), then the corporation will simply do its business elsewhere. It is already well established custom for administrative subunits within a national territory to court and to compete for corporations.

H. Elimination of archaic electoral mechanisms.

1. The phenomenon of the despot and dictator would also disappear into the human past. But the electoral process as currently practiced in the Triad indiscriminately joins practices from different periods of human history into an absurd and occasionally monstrous evolutionary mishmash. The current system of "representative government" arose during a period in which information had to be physically transported on the printed page and people moved slowly by horse and buggy from one region of the country to another. Because of these limitations in the physical movement of people and the

communication of information, centralized government could occur only through delegation of the opinions of citizens to a representative.

2. Electronic media and computers could be used to devise a more intensive accountability system in which all citizens could be invited to vote with regularity on referenda covering a broad gamut of issues. There is no longer any technical reason for not holding such regular referenda nor is there any logical reason that monthly or bimonthly citizen votes on these matters should not be as binding as citizen votes on the representatives themselves. Telecommunications and computers have rendered obsolete, if not the role of representative, at least the manner in which that function is exercised.
3. In fact the technological breakthroughs in communication and transportation have not been used to rationalize the representation system, to heighten the accountability of rulers to those ruled, or to improve the caliber of those elected to positions of responsibility. The electronic media have been used rather to turn the electoral process into a sideshow.

I. Changes in State military behavior

1. Nation states will struggle to retain control over the production (or acquisition) and use of sophisticated weaponry, resisting not only subnational but also supranational moves to control weaponry in a manner that threatens state sovereignty or prerogatives. Supranational military undertakings will take the form of coordinated efforts among autonomous units that select, train, and supply their own troops, rather than subordination to military command structures that directly recruit troops from individual states.
2. Business will continue to require the presence of armed enforcers of law and order to maintain adherence to the basic rules of the economic game -- i.e. to deal with bandits, disgruntled workers who would bomb factories, or the like. There will be little advocacy of each business having its own army or police force, or alternatively of licencing privately owned armies to deal with lawbreakers. That is the State will continue to be viewed by all as the legitimate enforcer of order both within and between national borders.
3. There will be a lessening of the ideologies of national territorial sovereignty. Such incursions will become more frequent and -- if done multilaterally -- internationally legitimate. They may become a standard conflict resolution procedure against aggressors who themselves have transgressed

national borders. They may even become legitimized in the case of clearly documented cases of genocide or massive abuse within national borders. The Gulf War has set important precedents for precisely such a gradated erosion of the traditional prohibition of armed territorial invasion.

4. The instrument for these multilateral ventures will continue to be the armed forces of individual nations acting in concert. There is no likelihood that U.N. forces or other permanent international armed bodies will in the foreseeable future be endowed with the weaponry required to turn them into independently credible enforcers. Their presence will continue to be largely symbolic, backed up by the threat of retaliation by conventional armies if an aggressor attacks them.

VIII. Supranational Agencies: Prelude to a World Government?

A. World government: Unlikely scenario

1. It is important to distinguish between the concept of a world government and that of a regional superstate.
 - a. Using a minimal operational definition, a world government would be a state apparatus which had military control and taxation authority over all human beings on the planet.
 - b. In contrast a regional superstate would be a new state created by the federation (be it voluntary or coercive) of existing states. The EEC, for example, is often discussed as though it may coalesce by mutual agreement of members into a regional superstate. A regional superstate would have all of the characteristics of an ordinary state. It would be a "superstate" only insofar as its jurisdictional subunits were once autonomous states themselves. (A world government would, of course, also be a special superstate; but not all superstates are world governments.)

B. Logic of supranational agencies

1. In the general realm of structure we predict the continued emergence and proliferation of supranational coordinating entities. One driving infrastructural force for the emergence of these agencies is the increasingly serious need to forge international consensus on the solution of ecological, epidemiological, and military dilemmas transcending the capacities of individual nation states.
2. Will these supranational agencies coalesce into superstates? That depends on the nature and function of the supranational agency. We can hypothesized that if the specialized supranational agency has arisen voluntarily in response to non-economic problems (e.g. ecological or epidemiological or even military), it stands little chance of coalescing into a bonafide superstate.
3. In contrast there are other agencies (such as the EEC) which arise to fill functions more directly associated with the globalizing economy. It is hypothesized that this second subset of agencies has a greater potential power to convince participating members (a) to forfeit traditional domains of national autonomy, to thereby (b) diminish the relevance of the currently constituted structure of autonomous states in that region, and (c) to lay the possible groundwork for the emergence of regional superstate entities in a distant future (that probably exceeds the time frame that can be meaningfully

addressed by this research).

4. In the case of either of the above subclasses of agencies, however, we predict that for the foreseeable future current nation-states will retain their sovereign, exclusive claims to tax, conscript, and incarcerate individual citizens within their territories. That is we do not predict in the foreseeable future the emergence of supranational tribunals, collection agencies, or standing police or military forces that can directly bypass current governments and deal directly with individual citizens (in the manner in which, for example, the U.S. federal government can directly tax and/or incarcerate citizens without the approval of the state or county).
 5. In the absence of these sovereign coercive powers over individual citizens of existing nation states, we cannot class a supranational agency as a genuine state in the modern sense of the term. We see no infrastructural pressures from globalizing economic forces that would select for such supranational states and do not see them as likely structural outcomes in the near future. There are two scenarios -- neither of which appears likely -- which could lead to the emergence of more highly centralized superstates or even a world government.
 - a. Military coercion. Powerful and successful aggression could conceivably impose a world government. The long term staying power of such a regime does not appear great.
 - b. Voluntary yielding of sovereign rights to tax, control weapons, and incarcerate to a higher level entity -- a most unlikely outcome in the present context.
 6. In view of the unlikelihood of supranational state creation, structural changes, whether motivated by a globalizing economy or by international epidemiological, ecological, or military stresses, will take the form of non-state supranational agencies.
- C. Types of supranational agencies

IX. Globalization, Economic Convergence, and Ethnic FragmentationA. Contradictory superstructural tendencies

1. In the domain of superstructure we predict ostensibly contradictory tendencies between forces for homogeneity and forces for heterogeneity. The forces for superstructural homogeneity will consist of an increasing homogenization of expectations and consumer tastes across current national boundaries. The infrastructural determinants of this movement toward cross-cultural homogenization are to be found in the objective breakthroughs that have occurred in information transmission, travel, and transportation.
2. The forces for superstructural heterogeneity will take the form of
 - a. a weakening of the ability of the nation state to engineer the loyalties of its citizens and
 - b. a concomitant inward and downward shift of these loyalties onto ethnic, linguistic, or religious units of which individuals are members.

B. Differentiating ethnic sentiment from nationalism.

1. Before entering into the analysis itself, some conceptual clarifications are necessary. In the first place the literature often tends to confound and merge the concepts of nationalism and ethnic pride, equating the two. For purposes of this analysis I will distinguish the two.
 - a. Nationalism will be restricted to sentiments of collective loyalty directed explicitly toward a nation state.
 - b. Ethnic pride, in contrast, refers to sentiments of collective loyalty directed explicitly to the ethnic group of which one is a member by virtue of origin, phenotype, religion, language, or whatever other criteria define membership in that group.
2. But what exactly is ethnicity itself? How does the ethnicity of individuals differ from their membership in operationally clearer categories of racial phenotype, language, and/or religion? Is the ethnicity of individuals simply a shorthand jargonized code for their membership in these other groups?
3. No it is not. Phenotype, language, religion, and customs are features of individual human actors. Ethnicity in contrast is inherently relational. People are "ethnics" only insofar as they are members of subgroups in a society that has other

- contrasting groups. One can belong to a racial, linguistic, or religious group even if the entire society is constituted of that group. But one is not a member of an ethnic group unless the society simultaneously has other groups to which that particular ethnic group stands in relation, juxtaposition and/or opposition.
4. Because of the relational criteria central to its definition, ethnicity bears a certain resemblance to the construct of "social class." One is a member of a class only in a society where there are two or more classes constituting that society. The difference is that whereas the criteria for class categorization are occupational and economic, the criteria for ethnic categorization, though varying in each case, generally focus on (a) phenotypical features, (b) on cultural variables such as language, religion, and social customs, and/or (c) on the territorial origins of preceding generations in the case of migration-generated ethnicity. Furthermore the concept of class also implies hierarchical ranking of the constituent units vis-a-vis each other. In contrast, any hierarchical ranking among the ethnic groups is seen as a sui-generis product of local history rather than a core definitional feature of ethnicity itself.
 5. How does ethnicity differ from minority status? Some vernacular uses of the term would equate ethnics with minorities. But in a technically sounder use of the term, all members of a society would qualify for membership in an ethnic group. (Children of interethnic unions might qualify for multiple membership.)
 6. The case of Burundi and Rwanda, two countries in East Central Africa, is illustrative of the role of the state in creating ethnicity. Over 95% of the population falls into one of two groups: Hutu and Tutsi. Before the emergence of state organization, these were politically autonomous interacting tribal groups. But with the emergence of an overarching state regulatory apparatus, the autonomous tribes become ethnic groups, constituent sectors of a broader society that incorporates them both.
 7. Furthermore though it is state organization which transforms such formerly autonomous units into ethnic groups, such groups can and do straddle several national borders. Tutsi and Hutu are found in both Burundi and Rwanda; Kurds are found in Iraq, Turkey, and Iran; Basques are found in France and Spain. If they coalesce into a totally homogeneous society with its own sovereign state, such a linguistic/cultural entity ceases being an ethnic group, at least within its territory.
 8. There is no inherent linkage between ethnicity and political or economic subordination. In Burundi the Tutsi -- a minority

group constituting less than 20% of the population -- dominate the political system. Though in control they continue to be a bona fide ethnic group. Nor is ethnicity linked to minority status in a demographic sense. The numerically preponderant but politically subordinate Hutu are also an "ethnic group." That is, one's status as a member of an ethnic group is not affected by the local political, economic, or statistical preponderance of the group.

9. The matter is of importance to the globalization process, because ethnicity to a large degree is a product of state organization. For all practical and historical purposes, an ethnic group is a subunit within a complex, internally heterogeneous society -- and such societies today are invariably governed by the apparatus of some state. Ethnicity is a construct directly linked and subordinated to the construct of a nation state -- is in fact a product of the nation state. Race, language, and religion, in contrast, all antedate the nation state and are independent thereof.
- C. Convergence and fragmentation as co-occurring processes
1. Contemporary history strikes some observers as a chaotic jumble of contradictory centripetal and centrifugal processes. On the one hand globalization is leading to transnational convergence and standardization in modes of production and exchange, in family structures, in consumer tastes, and in several other dimensions of life. And yet the same electronic and print media which contribute so much to this homogenization are also filled with accounts around the world of separatist splinter movements aimed at promoting or at least protecting heterogeneity.
 2. Such movements are easily interpreted as proof of something deep in human nature that craves diversity -- as an indication that the powerful forces of standardization unleashed by the globalizing economy are in partial violation of a human need for diversity lodged deeply in our core. Pursuing such analysis further, one would hurl (as the Pope recently has) a plague on both houses. Socialist and collectivized economies, in this imprecation, are accused of violating a basic human impulse for freedom. But the uncontrolled unleashing of capitalist forces is decried as generative of materialism, consumerism, and fixation on the acquisition of increasingly standardized commodities and subjection to increasingly standardized recreational imperatives. The emergence of movements to protect and legitimize the heritage (language, religion, customs) of one's cultural past is seen as a type of resistance to both systems.
 3. With due respects both to the Kremlin and to the Vatican, the following pages will argue for an alternative interpretation

of the interplay between standardizing convergence and ethnic separatism, one which is based less on assumptions about human nature than on a simple application of the causal triangle. I will argue that underlying order is exposed, and the paradox disappears, if we simply examine the sectors in which standardization, on the one hand, and ethnic separatism, on the other, each occurs. Centripetal convergence is occurring in infrastructural domains; centrifugal movements for diversity are occurring in structural and superstructural domains. They are occurring as a form of resistance to maladaptive and/or obsolete local structural and superstructural arrangements which impede maximal local participation in the process of infrastructural globalization. If the analysis is correct, ethnic movements will emerge, not as adversaries, but as handmaidens and products of globalization. And (though the proposition is counterintuitive) movements of ethnic separatism, far from being a challenge to the nation-state, are a product and a vindication of the importance of the nation state.

D. Varieties of ethnic manifestation

1. Under certain conditions these withdrawals of loyalty from current nation states will take the form, in descending order of strength, of
 - a. separatist movements which seek to establish autonomous states;
 - b. internal political movements which merely seek to capture the apparatus of the existing state; or
 - c. social protest movements which assume the continuation of the current apparatus of the state but which simply endeavour to enhance the flow of social and economic benefits to the members of the group.

X. Epilogue: Prospects for a Taxfree World?

1. The question arises: inductively taxes have been associated with State organization throughout the history of the State. But are they central features of the State? Could there be a form of State organization in which taxes are not collected -- in which other mechanisms for raising needed public funds are utilized? My answer will be a tentative yes.
2. It would be a major breakthrough in human political history, in fact, if public fund management strategies could be invented by which States could so cut costs and so steward resources that they could operate principally in a borrowing mode, not only repaying in services, but returning the cash itself to the lending citizens. Their interest on this loan to their State would be the social services. But the principal itself would be then returned.
3. Such a taxless system would have four key components:
 - a. obligatory interest-free loans by citizens and corporations to the government;
 - b. profit-maximizing investment of the revenues generated by the government in private-sector activities of the global economy;
 - c. utilization of the revenues thus obtained for payment of services and operational cost of the government itself;
 - d. return to citizens of the principal of the loan; in practice the government would simply retain the principal from one annual loan apply it to the following year's obligatory loan.
4. Such a system would forge a new linkage between a State and the global economy. The State's operating revenues would come from interest generated through investment and participation in the economy (rather than through taxation or regulation). Citizens would continue to make disbursements to the State - - but as loans. They would continue to be owners of the funds which the State is investing. The State would owe them, in addition to services, the principal of their loan. A citizen renouncing citizenship and moving to another country, for example, would be given back his principal.
5. For such a taxless system to function, several assumptions would have to be met which violate current State practice.
 - a. Ruthless cost cutting. The State would have to finance its activities on the basis of the revenues which it

could generate, as interest, dividends, or other types of profits, from participation in the global economy. It would have to lower its operating costs in such a manner as to prevent these costs plus the costs of the services delivered from exceeding the annual revenues generated in the global economy from the funds borrowed by the government from its citizens and held in trust for them.

- b. Accountability and delegitimization of taxation. The institution of the State has successfully promulgated a self-serving ideology that has led humans beings to assume that (a) the State is an essential feature without which human society could not exist; (b) the State has divine legitimization (e.g. all authority coming from God, in Pauline theory), and (c) the State has some sort of inherent right to tax. In the globalized world of the ancillary State apparatus, coercive taxation would be outlawed -- treated (like slavery, infanticide, and human sacrifice) as an aberrant relic from a barbaric human past.

(The object of this speculative last section -- which may not make its way into the final product -- is to brainstorm for a model of State organization which is (a) more consonant with the profit generating mode of the globalizing economy and (b) treats the State as a bureaucracy with certain legitimize, social roles but with no inherent right to finance its execution of these roles by coercive taxation. If these suggestions seem quasi-utopian I will argue that it stems not from their inherent implausibility, but from our having unwittingly accepted as a "fact of life" (a) the phenomenon of coercive taxation and (b) the wasteful, fiscally irresponsible behavior of the predatory institutions that are currently entrusted with these social functions. We should come up with some alternatives as a result of our research and brainstorming.)