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Neoliberal Governance of States: The Role of Competitiveness Indexing and Country Benchmarking

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This article engages in a critical analysis of two of the most influential contemporary economic publications – namely, the competitiveness reports published annually by the World Economic Forum and the International Institute for Management Development. Drawing on Michel Foucault's work on governmentality, it emphasises the governmental work that these reports do in relation to ongoing efforts aimed at governing states in a neoliberal fashion. In and through competitiveness indexing and country benchmarking, they are argued to contribute not only to constitute states as flexible market subjects, but also to guide their 'rational' conduct thus constituted. Acknowledging that there is nothing natural or given about states striving to improve their 'national competitiveness', the article concludes with some broader reflections on the future prospects for neoliberal governance of states.

Keywords: competitiveness reports, global governmentality, neoliberal governance

Introduction

The annual competitiveness reports published by the World Economic Forum (WEF) and the International Institute for Management Development (IMD) are often heralded and celebrated as being among the most important economic publications in today's world. While this might be the case, the reports being important should not be confused with them being innocent sources of neutral knowledge regarding the economic conditions of countries worldwide. Rather, they both can and should be seen as playing a central role in contemporary efforts to govern states in accordance with a neoliberal rationality of government. In more specific terms, they do this by contributing both to the constitution of states as flexible and manipulable subjects with a rationality derived from arranged forms of entrepreneurial and competitive behaviour, and to give shape to their actions as such

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market subjects from a distance. Importantly, the latter action on the part of the WEF and the IMD guides state conduct not in any direction, but in a particular one providing favourable conditions for mobile firms and capital.

In a scholarly context, the article connects with an emerging body of literature exploring the relevance of Michel Foucault's problematic of 'governmentality' beyond the state level.[1] In this connection, it should immediately be pointed out that the term 'governmentality' is currently used in at least two different ways. First, it is used with reference to 'a form of [political] power whose logic is not the defense of territory or the aggrandisement of the sovereign but the optimisation of the health and welfare of the population'.[2] While Foucault identified elements of such 'biopower' in the doctrine of *raison d'état*, its mature form coincided with the emergence of liberalism in the eighteenth century. Second, in continuity with Foucault's earlier conception of 'power/knowledge', governmentality is used more generally with reference to 'how governing always involves particular representations, knowledges, and expertise regarding that which is to be governed' – irrespective of who or what is being subjected to government.[3]

While Foucault's work on governmentality focused on government within states, its potential relevance beyond this was recognised by some of the English-speaking social theorists who did much to bring it to the attention of a wider academic community. According to Nikolas Rose and Peter Miller, for instance, the governmentality problematic applied 'as much to geo-political issues as to those within any national territory'.[4] With reference to warfare and colonialism, they argued that 'in geopolitical relations too … the state should first of all be understood as a complex and mobile resultant of the discourses and techniques of rule'.[5] For his part, Barry Hindess has argued that there is an intimate connection between 'government within states and the government of states themselves within the international arena', and that the whole modern

1. 'Governmentality' was the focus of Foucault's 1977–8 and 1978–9 lectures at the Collège de France. Michel Foucault, *Security, Territory, Population: Lectures at the Collège de France, 1977–1978* (Basingstoke: Palgrave Macmillan, 2007), and *The Birth of Biopolitics: Lectures at the Collège de France, 1978–1979* (Basingstoke: Palgrave Macmillan, 2008). See Mitchell Dean, *Governmentality: Power and Rule in Modern Society* (London: Sage, 1999); Nikolas Rose, Pat O'Malley and Mariana Valverde, 'Governmentality', *Annual Review of Law and Social Science* 2 (2006): 83–104.

2. Wendy Larner and William Walters, 'Globalization as Governmentality', *Alternatives* 29 (2004): 496.

3. Ibid. For a further discussion of these two uses of the governmentality concept, see Dean, *Governmentality*, 16ff.

4. Nikolas Rose and Peter Miller, 'Political Power beyond the State: Problematics of Government', *British Journal of Sociology* 43, no. 2 (1992): 178.

5. Ibid.

state system can be seen 'not only as regulating the conduct of states, and indeed as constituting them, but also as a dispersed regime of governance covering the overall population of the states concerned'.[6]

From within the discipline that has long since claimed the domain 'beyond the nation-state' as its own special preserve, Michael Dillon argued some time ago that 'that which international relations takes as its object domain of knowledge … can be reinterpreted as exhibiting many of the features of the operation of governmentality' – in that:

political power is exercised globally today through a profusion of shifting alliances between many diverse authorities in knowledgeably derived projects and enterprises designed to effect self-government in manifold aspects of the political, economic, and social behaviour of populations as well as of individual conduct.[7]

While Dillon's main concern has been with the 'biopolitics' of global liberal governance,[8] other scholars have drawn on Foucault's governmentality problematic in analyses of intergovernmental organisations, international migration, the international refugee regime, regionalism, globalisation, global civil society and non-governmental organisations.[9]

In this 'global governmentality' context, and beyond the novel empirical focus on competitiveness indexing and country benchmarking, the present study is quite distinct in at least two ways. First, in spite of the partial blurring of the distinction between subjects and objects of governance that inheres in the governmentality perspective, it breaks with the state-centrism that characterises most International Relations work on governmentality by treating states primarily as objects rather than subjects of governance. This said, it will nonetheless become clear that the neoliberal governance of states analysed in this article both connects with how states are engaged in efforts to govern the world political economy in accordance with a neoliberal rationality of government, and feeds into governance of a neoliberal kind within states. Although the article primarily employs the term governmentality in its more general sense, it follows that the governance of states in question links up with biopolitical projects at both the global and nation-state levels.

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6. Barry Hindess, 'Neo-liberal Citizenship', *Citizenship Studies* 6, no. 2 (2002): 129; 'Divide and Rule: The International Character of Modern Citizenship', *European Journal of Social Theory* 1, no. 1 (1998): 65–6.

7. Michael Dillon, 'Sovereignty and Governmentality: From the Problematics of the "New World Order" to the Ethical Problematics of the World Order', *Alternatives* 20, no. 3 (1995): 340–1.

8. Michael Dillon and Julian Reid, 'Global Liberal Governance: Biopolitics, Security and War', *Millennium* 30, no. 1 (2001): 41–66.

9. Wendy Larner and William Walters, eds, *Global Governmentality: Governing International Spaces* (London: Routledge, 2004); Michael Merlingen, 'Foucault and World Politics: Promises and Challenges of Extending Governmentality Theory to the European and Beyond', *Millennium* 35, no. 1 (2006): 181–96.

Second, in contrast with existing studies that treat states as objects of governance,[10] the governmental practices analysed in this article concern actions on the part not of supranational authorities, but rather of so-called private actors. Against this background, the article not only makes a novel governmentality contribution to studies on 'private global governance', but also provides a corrective to neo-Gramscian analyses of states being constrained by the structural power of transnational capital in the contemporary world political economy.[11] Rather than seeing inter-state locational competition as a product of negative or disciplinary power, the present article highlights how the WEF and the IMD are contributing positively and productively to enlist states in a competitive market game. In the empirical case at hand, a key strength of the governmentality perspective concerns how it enables both the identification of power in a set of seemingly neutral economic publications, and the location of this power practice within a wider set of reflections on state governance.

The section to follow provides a brief outline of the Foucauldian conception of neoliberalism that informs the analysis. In the second section, the general argument that states are increasingly subjected to a form of neoliberal governance is made with reference to both the salience of the discourse on national competitiveness in contemporary reflections on state governance, and the programmatic thinking found in influential strands of public choice theory. Within this broader context, the third section analyses the governmental role played by competitiveness indexing and country benchmarking in contemporary efforts to govern states in accordance with a neoliberal rationality of government. The article concludes with some reflections on the future prospects for neoliberal governance of states.

Neoliberalism as a Rationality of Government

Neoliberalism is a highly contested concept in contemporary public and scholarly debates. Not only are there many different conceptions of neoliberalism,[12] but some scholars even argue that 'there is no such thing as neoliberalism'.[13] Leaving debates on both the existence and

10. E.g. William Walters and Jens Henrik Haahr, *Governing Europe: Discourse, Governmentality and European Integration* (London: Routledge, 2005).

11. E.g. Stephen Gill, 'Globalisation, Market Civilisation, and Disciplinary Neoliberalism', *Millennium* 24, no. 3 (1995): 399–423.

12. Philip G. Cerny, 'Embedded Neoliberalism: The Evolution of a Hegemonic Paradigm', *Journal of International Trade and Diplomacy* 2, no. 1 (2008): 1–46; Wendy Larner, 'Neoliberalism: Policy, Ideology, Governmentality', *Studies in Political Economy* 63 (2003): 5–26.

13. Clive Barnett, 'The Consolations of Neoliberalism', *Geoforum* 36, no. 1 (2005): 7–12.

meaning of neoliberalism aside, I will here conceive of it as a rationality of government. With government understood as 'action upon other actions'[14] – that is, a form of power deliberately aimed at shaping or guiding the conduct of others through their capacity to regulate their own behaviour – governmental rationalities refer to ways of articulating and justifying government, as well as representing social reality as a governable object. While such rationalities and more specific programmes of government work to 'render reality into the domain of thought', the translation of the latter into the domain of reality depends on various technologies of government – that is, 'actual mechanisms through which authorities [seek] to shape, normalise and instrumentalise the conduct, thought, decisions and aspirations of others in order to achieve the objectives they consider desirable'.[15]

In his lectures of early-1979, Foucault identified and subjected two forms of neoliberalism to detailed analysis.[16] First, the so-called *Ordoliberalen* in post-1945 West Germany, who treated the market and competition in non-naturalistic terms, and proposed both a diffusion of 'the enterprise-form throughout the social fabric as its generalised principle of functioning' and extensive legal activism aimed at creating both a market economy and entrepreneurial forms within the wider society.[17] Second, the so-called Chicago School of Economics, which conceived of all human behaviour in economic-rational terms, and envisaged a 'purely economic method of programming the totality of governmental action'.[18] In contrast to how *Ordoliberalen* like Walter Eucken and Wilhelm Röpke pursued 'the idea of governing society in the name of the economy', Chicago economists like Gary Becker sought to 're-define the social sphere as a form of the economic domain'.[19]

Although these different forms of neoliberalism share certain features with an earlier liberal rationality of government – including the vocabulary of 'market', 'competition', 'efficiency', 'freedom' and 'choice', as well as the constitution of 'the market' as the ideal in relation to which governance should be oriented – there are some significant differences

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14. Michel Foucault, 'The Subject and Power', in *Michel Foucault: Beyond Structuralism and Hermeneutics*, eds Hubert Dreyfus and Paul Rabinow (Brighton: Harvester, 1982), 220.

15. Peter Miller and Nikolas Rose, 'Governing Economic Life', *Economy and Society* 19, no. 1 (1990): 8.

16. Foucault, *The Birth of Biopolitics*. For a good exposition in English, see Thomas Lemke, '"The Birth of Biopolitics": Michel Foucault's Lectures at the Collège de France on Neo-liberal Governmentality', *Economy and Society* 30, no. 2 (2001): 190–207.

17. Colin Gordon, 'Governmental Rationality: An Introduction', in *The Foucault Effect: Studies in Governmentality*, ed. Graham Burchell, Colin Gordon and Peter Miller (London: Harvester Wheatsheaf, 1991), 42.

18. Ibid., 43.

19. Lemke, '"The Birth of Biopolitics"', 197.

between them. While classical liberals considered the market as part of the natural order of things, neoliberals share the view that 'the market exists, and can only exist, under certain political, legal and institutional conditions that must be actively constructed by government'.[20] Furthermore, and although both forms of liberalism tie the rationality of government to the rational conduct of individuals, neoliberals conceive of such conduct not as part of human nature, but rather as '*artificially* arranged or contrived forms of the free, *entrepreneurial* and *competitive* conduct of economic-rational individuals'.[21] Lastly, neoliberals go further than classical liberals in defining positive tasks for governmental activism – including, not least, the task of 'constructing the … conditions that will enable an artificial competitive game of entrepreneurial conduct to be played to best effect'.[22]

Neoliberal Governance of States

While much governmentality research has focused on how neoliberalism has come to inform multiple practices on the part of state authorities, the argument here is that states are themselves increasingly subjected to a form of neoliberal governance in the contemporary world political economy – in the sense that they are constituted and acted upon as subjects with a rationality derived from arranged forms of entrepreneurial and competitive behaviour. Below, I will briefly discuss two elements central to this constitution of states as neoliberal market subjects. First, the emergence and contemporary prominence of the discourse on national competitiveness in reflections on state governance. Second, the programmatic thoughts on neoliberal governance of states found in influential strands of public choice theory.[23]

While the discourse on national competitiveness was highly contested little more than a decade ago, the prominence, taken-for-grantedness and meta-character of the 'competitiveness problem' in contemporary reflections on state governance cannot be exaggerated. In a scholarly context, the interchangeable concepts of 'competitiveness' and 'competitive advantage' have for some time been central to the field of Business Administration in general, and its subfield of strategic

20. Graham Burchell, 'Liberal Government and Techniques of the Self', in *Foucault and Political Reason: Liberalism, Neo-Liberalism and Rationalities of Government*, ed. Andrew Barry, Thomas Osborne and Nikolas Rose (London: UCL Press, 1996), 23.

21. Ibid., 23–4.

22. Ibid., 27.

23. To some extent, the next few paragraphs draw on Tore Fougner, 'The State, International Competitiveness and Neoliberal Globalisation: Is There a Future Beyond "the Competition State"?', *Review of International Studies* 32, no. 1 (2006): 165–85.

analysis in particular.[24] In this context, the governmental problem of competitiveness has concerned how to improve 'the capacity of a firm to compete, grow, and be profitable in the marketplace'.[25] In the late 1970s and early 1980s, however, the problem of competitiveness moved from being internal to reflections on how to manage a firm, to become internal to reflections on how to govern the state – that is, a problem of *national* competitiveness.[26] This shift in the use of the competitiveness concept notwithstanding, firms remained the primary referent of the competition in question, and the constitution of national competitiveness as a governmental problem for state authorities primarily worked to direct their policies towards the perceived needs and well-being of national firms engaged in competition with foreign firms.

More recently, the discourse on 'economic globalisation' contributed to transform the meaning of national competitiveness and, in consequence, the terms of the so-called national competitiveness problem. The reason for this is that a globalist conception of the world economy as characterised by a high degree of mobility on the part of firms and production factors made it problematic to talk about 'national' firms competing with 'foreign' ones for shares of international product and service markets. While some have argued that the globalisation of capital has made the notion of national competitiveness completely meaningless,[27] others have more commonly re-employed the notion with reference to the territorial state and its capacity to compete with other states for shares of global economic activity and 'footloose' capital.[28] As the primary subjects of the competition in relation to which the concept of national competitiveness is used have changed from firms to states, the primary governmental problem on the part of state authorities has shifted towards that of making the state itself more competitive.[29]

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

25. Eric S. Reinert, 'Competitiveness and its Predecessors – a 500-year Cross-national Perspective', *Structural Change and Economic Dynamics* 6, no. 1 (1995): 25.

26. Key publications contributing to this change include Office of Economic Research, *Report of the President on U.S. Competitiveness* (Washington, DC: US Department of Labor, 1980); President's Commission on Industrial Competitiveness, *Global Competition: The New Reality* (Washington, DC: US Government Printing Office, 1985).

27. Leslie Sklair, *The Transnational Capitalist Class* (Oxford: Blackwell Publishers, 2001), 142.

28. Robert B. Reich, 'Who Is US?', *Harvard Business Review* 68, no. 1 (1990): 53–64; Susan Strange, 'Who Are EU? Ambiguities in the Concept of Competitiveness', *Journal of Common Market Studies* 36, no. 1 (1998): 101–14.

29. Note that there is a parallel here to how also other territorial entities (e.g. cities and regions) have been constituted as competitors through the competitiveness discourse.

From the point of view of public choice theory, this conception of states as competitors and entrepreneurs in a global market for capital, technology and high-skilled labour approximates a normative ideal.[30] The reason for this is that what is variously referred to as 'locational competition', 'intergovernmental competition', 'interjurisdictional competition', 'regulatory competition' and 'institutional competition' is considered to be 'a useful mechanism to control the efficiency of government … a discovery device for better policy approaches in the sense of Hayek … an instrument to tame the Hobbesian Leviathan' and, by implication, a means by which to protect individual liberty and democracy.[31] Based on the common assumptions that 'countries can benefit economically from luring factors into their jurisdiction', and that '[i]ndividuals may "vote by their feet" and move either themselves or capital to the most preferred jurisdiction', it is argued that state authorities 'will, driven by their self interest, compete in offering favorable rules and institutions … to mobile factors'.[32] It follows from this that the neoliberal ideal of governing states through locational competition is pegged to a conception of the state as a form of the *homo economicus*.

Even if current conditions approximate their ideal, public choice scholars are faced with an important challenge: with competitive behaviour considered as unnatural for states as it is for firms, '[c]ompetition among governments, like competition among firms, cannot be left to itself'.[33] Against this background, public choice theorists often postulate three conditions for locational competition to be played to best effect. First, given the emphasis placed on 'exit' as the mechanism that 'changes the [cost–benefit] calculus of governments',[34] production factors and products/services must be able to enter and leave locations freely. Second, in order for firms and individuals to act on (re)locational opportunities, relevant and comparable information about different locations must be

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30. 'Public choice theory' is used here with reference not merely to the Virginia School of Economics, but to 'economic theories of politics' more generally. As a sub-form of Chicago neoliberalism, public choice theory can be conceived as an attempt to re-describe and govern the political as a form of the economic.

31. Horst Siebert, 'Locational Competition: A Neglected Paradigm in the International Division of Labour', *World Economy* 29, no. 2 (2006): 152.

32. Peter Lewisch, 'Constitutional Economics and Choice of Law', in *James M. Buchanan Festschrift* (1999) http://www.gmu.edu/jbc/fest/files/lewisch.htm. While Lewisch implies that state authorities act in the interest of the country or the citizens that they represent, other public choice theorists would emphasise self-interest on the part of politicians. For a survey of economic theories of interstate competition, see Daphne A. Keynon, 'Theories of Interjurisdictional Competition', *New England Economic Review*, March–April (1997): 13–28.

33. Roland Vaubel, 'Enforcing Competition among Governments: Theory and Application to the European Union', *Constitutional Political Economy* 10, no. 4 (1999): 327.

34. Siebert, 'Locational Competition', 141.

readily available. Third, governments must not establish regulatory cartels among themselves, impose negative non-market externalities on each other or behave strategically to the detriment of others.[35] With regard to how these conditions can be met, there is no agreement among public choice theorists. On the one hand, there are those who argue that locational competition is 'part and parcel of the international spontaneous market order' – that is, a 'bottom-up' international order considered to emerge as a result of liberal policies being implemented at the state level – and, thus, 'a substitute for world government and, in many (but not all) instances, an alternative to negotiated cooperation at the international level'.[36] On the other hand, there are those who argue that there is a need for rules of locational competition to be established, monitored and enforced at the supranational level. As of today, the latter position is the one most commonly taken within the relevant body of public choice literature.[37]

Considering the contemporary world political economy, 'exit' is certainly an option for many firms and factors of production – due partly to unilateral government policies (e.g. removal of controls on flows of capital and high-skilled labour), and partly to intergovernmental agreements (e.g. trade liberalisation and intellectual property protection). Moreover, it is equally clear that there is plenty of information around as it concerns all possible aspects of different locations. What is missing, however, is a set of supranational rules that prevent states from establishing regulatory cartels, imposing negative non-market externalities on each other, and behaving strategically at each other's expense – the major exception being the authority given to the WTO as it concerns trade. While the lack of such rules and a supranational competition authority can make locational competition less efficient and stable than many public choice theorists would prefer, it does not imply that governments cannot and will not be induced to behave competitively. On the contrary, several actors

35. More generally, public choice theorists would emphasise also the conditions of 'a fragmented structure consisting of a large number of authorities', 'a high level of local autonomy' and 'a high reliance on local revenues'. George A. Boyne, 'Competition and Local Government: A Public Choice Perspective', *Urban Studies* 33, nos 3–5 (1996): 703.

36. Razeen Sally, 'Classical Liberalism and International Economic Order: An Advance Sketch', *Constitutional Political Economy* 9, no. 1 (1998): 38–9.

37. Albert Breton, *Competitive Governments: An Economic Theory of Politics and Public Finance* (Cambridge: Cambridge University Press, 1996), 264ff.; Wolfgang Kerber and Viktor Vanberg, 'Competition among Institutions: Evolution within Constraints', in *Competition among Institutions*, ed. Lüder Gerken (Basingstoke: Macmillan, 1995), 35–64; Siebert, 'Locational Competition', 152–5; Stefan Sinn, 'The Taming of the Leviathan: Competition among Governments', *Constitutional Political Economy* 3, no. 2 (1992): 177–98; Roger van den Bergh, 'Towards an Institutional Legal Framework for Regulatory Competition in Europe', *Kyklos* 53, no. 4 (2000): 435–66; Vaubel, 'Enforcing Competition among Governments'.

work to constitute and act on states as flexible and manipulable market subjects on a continuous basis, and producers of knowledge on world competitiveness play a central role among these.[38]

Before considering the latter in detail, some brief comments can be made concerning how the neoliberal governance of states stands in relation to the conception of states as security competitors within an anarchical system that surrounded the seventeenth-century emergence of governmentality in its more specific sense. In this connection, while liberalism also developed within the conditions set by such a competitive state system, its governmental ambitions extended beyond the state level to include the use of 'market interactions and other devices to civilise and to regulate the conduct … of states'.[39] Such an attempt to pacify states informed not only the promotion of free trade in the late eighteenth century, but also the liberalisation of inter-state economic relations after 1945. In this latter context, while pre-globalisation concerns with national competitiveness can be located within a quest for relative state power – with the competitiveness of national corporations seen as feeding positively into the strength and security of the state – such post-globalisation concerns are more properly located within a broader liberal attempt to pacify governments in and through the deeper marketisation of the state that locational competition implies.

Competitiveness Reports

Although there are many competitiveness reports around, the two most influential ones are undoubtedly *The Global Competitiveness Report* and *The World Competitiveness Yearbook*, published respectively by the WEF and the IMD. While competing for attention and fame today, it is important to note that the two reports emerged from within the same enterprise. The original concept for measuring national competitiveness was developed by WEF founder and president Klaus Schwab in the late 1970s, and the first competitiveness report was published in 1979 with the title *Report on the Competitiveness of European Industry* by the WEF's forerunner, the European Management Forum (EMF). In the late 1980s, the WEF began cooperating with the IMD, and they jointly produced *The World Competitiveness Report* (WCR) from 1989 to 1995. The two institutions

38. Other actors include business scholars like Michael Porter and Richard Florida targeting their 'how-to-compete' knowledge at states-as-competitors; consultancy firms promoting their services vis-a-vis state authorities with reference to their need to compete for mobile firms and production factors; individual firms pitting countries against each other in 'locational tournaments'; and intergovernmental organisations of different kinds framing their policy guidelines in terms of the need of states to attract mobile firms and production factors.

39. Hindess, 'Neo-liberal Citizenship', 136.

parted ways in 1996, when the IMD and the WEF began producing *The World Competitiveness Yearbook* (WCY) and *The Global Competitiveness Report* (GCR) respectively.

The GCR is produced by the WEF's Global Competitiveness Network, and evaluates the potential for countries to raise productivity and achieve economic growth. From 2000 to 2005, it did this through the construction of two competitiveness rankings. First, a Growth Competitiveness Index developed by Jeffrey D. Sachs and John McArthur of Harvard University and, second, a Business Competitiveness Index developed by Michael E. Porter of Harvard Business School.[40] Assisted by Xavier Sala-i-Martin of Columbia University, the WEF has recently introduced a new Global Competitiveness Index (GCI) as its main indicator. Being a revised version of the Sachs–McArthur framework, the GCI assesses 'the set of factors, policies and institutions that determine the level of productivity of a country', and is composed of nine pillars: institutions, infrastructure, macroeconomy, health and primary education, higher education and training, market efficiency, technological readiness, business sophistication, and innovation.[41] As was the case with the previous indices, each pillar consists of several variables, and sub-indices prepared for each pillar are combined in the construction of the overall country ranking.

The WCY is produced by the IMD's World Competitiveness Center, and is claimed to analyse and rank 'the ability of nations to create and maintain an environment which sustains the competitiveness of enterprises'.[42] Since 1996, it has done this through the construction of an index called the World Competitiveness Scoreboard (WCS). When preparing this index, 'the national environment' is divided into four main factors, each of which is further divided into five sub-factors: economic performance (domestic economy, international trade, international investment, employment and prices), government efficiency (public finance, fiscal policy, institutional framework, business legislation and societal framework), business efficiency (productivity, labour market, finance, management practices and attitudes

40. See respectively Augusto Lopez-Claros et al., 'Policies and Institutions Underpinning Economic Growth: Results from the Competitiveness Indexes' and Michael E. Porter, 'Building the Microeconomic Foundations of Prosperity: Findings from the Business Competitiveness Index', in *The Global Competitiveness Report 2005–2006*, ed. Augusto Lopez-Claros et al. (Basingstoke: Palgrave Macmillan, 2005), 3–42 and 43–77. The latter index was informed by Michael E. Porter, *The Competitive Advantage of Nations* (London: Macmillan, 1990).

41. Augusto Lopez-Claros et al., 'The Global Competitiveness Index: Identifying the Key Elements of Sustainable Growth', in *The Global Competitiveness Report 2006–2007*, ed. Augusto Lopez-Claros et al. (Basingstoke: Palgrave Macmillan, 2006), 3–50.

42. Suzanne Rosselet-McCauley, 'Methodology and Principles of Analysis', in *The World Competitiveness Yearbook 2006* (Lausanne: IMD, 2006), 19.

and values), and infrastructure (basic infrastructure, technological infrastructure, scientific infrastructure, health and environment, and education). Each sub-factor counts for 5 per cent of the overall score, and a country's competitiveness is determined by adding them up.

When constructing their indices, both the WEF and the IMD make use of a combination of 'hard' and 'soft' data. While the former consists of publicly available data from sources such as the IMF, the World Bank and the UN, the latter is made up of data collected through 'executive opinion surveys' – that is, annual surveys conducted among business executives. These surveys, which used to be called 'business confidence surveys' in the pre-1996 WCRs, are meant to capture the perceptions of business and investment decision-makers, and the respondent numbers are currently about 11,000 and 4,000 for the GCR and the WCY respectively. Overall, survey data provide two-thirds of the variables included in the GCI, and make up one-third of the overall weight of the WCS.

In spite of the importance commonly ascribed to the GCR and the WCY by their producers, journalists, politicians and academics, these reports have not been without their critics. While most of these seem to agree on the value of the kind of exercise that the reports represent, they tend to consider the GCR and the WCY not to be up to the task due to their flawed theoretical frameworks and/or methodologies.[43] In the context of the present article, however, the theoretical or methodological quality of the reports and their indices is secondary to the governmental work that they do. Considered in terms of the governmentality problematic, the GCR and the WCY contribute to constitute states as flexible and manipulable subjects by enframing them in a competitive market game, and act on their actions as such subjects from a distance.

Constituting States as Competitive Market Subjects

The GCR and the WCY are annual practices on the part of the WEF and the IMD that are enabled by and reproduce the primary discourse in and through which states are constituted as market actors in

43. Harry P. Bowen and Wim Moesen, 'Benchmarking the Competitiveness of Nations: Non-uniform Weighting and Non-economic Dimensions', *Vlerick Leuven Gent Working Papers* 2; Orsetta Causa and Daniel Cohen, 'Overcoming Barriers to Competitiveness', OECD Development Centre, *Working Paper* 239; Stéphane Grégoir and Françoise Maurel, 'Les indices de compétitivité des pays: interprétation et limites', in *Compétitivité*, eds. Michèle Debonneuil and Lionel Fontagné (Paris: La Documentation française, 2003), 97–132; David E. Kaplan, 'Measuring our Competitiveness – Critical Examination of the IMD and WEF Competitiveness Indicators for South Africa', *Development Southern Africa* 20, no. 1 (2003): 75–88; Sanjaya Lall, 'Competitiveness Indices and Developing Countries: An Economic Evaluation of the Global Competitiveness Report', *World Development* 29, no. 9 (2001): 1501–25.

the contemporary world political economy – namely, the discourse on national competitiveness. In this connection, it should be mentioned that the WEF's forerunner was central in bringing talk about competitiveness to bear on states in the first place. While the EMF first convened in 1971 to 'discuss a coherent strategy for European business to face challenges in the international marketplace',[44] its first competitiveness report of 1979 signalled a shift in focus away from a concern with competitiveness resulting from the internal efficiency of firms towards a concern with the effects of national business environments on corporate competitiveness.

As a key site for the articulation of the economistic and market-related discourse that completely dominated globalisation talk until the mid-1990s,[45] the WEF also played a central role in redefining the terms of the so-called national competitiveness problem. Conceiving of firms as being increasingly 'homeless', and the nationality of investors as being increasingly irrelevant for national economies,[46] so-called attractiveness rankings were included in the WCR of 1991. With 'country competitiveness' defined as the 'extent to which a national environment is conducive or detrimental to the domestic and global competitiveness of enterprises operating in [that country]', the report proceeded by evaluating such environments in a 'double perspective'. First, they were judged in terms of their attractiveness for business investment, with 'attractiveness' understood with reference to 'the quality of resources available in a country from the point of view of an entrepreneur'.[47] Second, national environments were judged in terms of their 'aggressiveness' understood with reference to 'the competence of firms in transforming the available resources into value-added products and services'.[48]

An explicit concern with attractiveness was maintained by the IMD as a key dimension considered to shape countries' competitiveness environments in its post-1995 WCY publication. In the 2000 edition, for instance, Stéphane Garelli argued that as '[e]nterprises now benefit from an enormous choice in selecting their business locations … nations need to compete to attract or retain enterprises'.[49] Although the WEF's

44. WEF, 'About Us' (http://www.weforum.org).

45. Geoffrey Allen Pigman, 'A Multifunctional Case Study for Teaching International Political Economy: The World Economic Forum as Shar-pei or Wolf in Sheep's Clothing', *International Studies Perspectives* 3, no. 3 (2002): 300–3.

46. Thomas M. Rauschenbach, 'Key Ingredients of Competitiveness in Perspective', in *The World Competitiveness Report 1991* (Lausanne and Geneva: IMD and WEF, 1991), 201–7.

47. Liisa Välikangas, 'The 1991 World Competitiveness Report, eleventh edition', in *The World Competitiveness Report 1991* (Lausanne and Geneva: IMD and WEF, 1991), 8.

48. Ibid.

49. Stéphane Garelli, 'Competitiveness of Nations: The Fundamentals', in *The World Competitiveness Yearbook 2000* (Lausanne: IMD, 2000), 48.

post-1995 GCRs have been less explicitly concerned with 'attractiveness', they have nonetheless incorporated its locational-competitive logic. In the first GCR, for instance, Claude Smadja argued that 'in today's global economy there is mega-competition, not only for market share but also for capital and investment and for efficient production bases'.[50] In the next GCR, two articles explicitly addressed the issue of FDI and country attractiveness, and one of them concluded that 'countries that are more competitive … are also looked upon by investors as better prospects for direct investment'.[51] More recently, Schwab has stated that in today's 'global economy characterised by the nearly instant flow of information and capital … businesses are formulating their strategies and decision making with an increasingly global perspective', and 'countries are having to be increasingly creative in order to maintain a competitive edge'.[52] With the creativity in question referring to the creation of 'an environment which is more supportive of private sector economic activity',[53] countries are constituted as entities engaged in locational competition.

Acting on States as Competitive Market Subjects

Beyond their contribution to the general constitution of states as competitive entities, the GCR and the WCY should also be understood as more specific governmental acts on the part of the WEF and the IMD – namely, as actions aimed at shaping state conduct. In this connection, it can initially be noted that both reports explicitly seek to influence government policies around the world. In more specific terms, the WEF and the IMD present themselves as providers of inputs into benchmarking practices on the part of governments. In the case of the WEF, the GCR is promoted with reference to it providing a 'unique benchmarking tool … for governments in identifying obstacles to economic growth and assisting in the design of better economic policies'.[54] In a similar fashion, the WCY is promoted with reference to how '[g]overnment agencies find important indicators to benchmark their policies against those of other countries and to evaluate performance over time'.[55]

While I will return to the issue of benchmarking shortly, a couple of comments related to this concern with government policies are pertinent. First, although the WEF and the IMD seemingly take it for

50. Claude Smadja, 'Beyond the Statistics', in *The Global Competitiveness Report 1996* (Geneva: WEF, 1996), 28.

51. Howard Shatz, 'What Attracts FDI?', in *The Global Competitiveness Report 1997* (Geneva: WEF, 1997), 40.

52. Klaus Schwab, 'Preface', in *The Global Competitiveness Report 2004–2005*, eds Michael E. Porter et al. (Basingstoke: Palgrave Macmillan, 2004), ix.

53. Ibid., x.

54. Publisher's webpage (http://www.palgrave.com/worldeconomicforum).

55. Rosselet-McCauley, 'Methodology and Principles of Analysis', 19.

granted that governments are engaged in efforts to improve national competitiveness, the GCR and the WCY are themselves centrally involved in both constituting competitiveness as a key governmental problem, and ascribing primary responsibility for its resolution to governments. In a globalising world economy, responsible governments concerned with the welfare of their citizens are told that they cannot but attend to the competitiveness problem in a serious fashion. Second, although the GCR and the WCY are presented as serving the governmental end of improving national competitiveness and welfare, these reports should more importantly be considered in relation to another end – namely, that of improving the welfare of transnational capital. In spite of this not being made explicit in the reports, it should not be forgotten that WEF members 'represent the world's 1,000 leading companies', and the 'IMD's mission is to serve the international corporate community'.[56]

With benchmarking understood as a practice in and through which the improvement of an entity's performance is sought through comparison with an internal or external reference point or, more simply, as the implementation of 'best practice',[57] the GCR and the WCY facilitate this by identifying factors deemed critical for national competitiveness, by measuring how countries perform with respect to the factors in question, and by identifying both improvement opportunities (i.e. factors on which a country's performance is relatively poor) and potential sources of learning (i.e. countries performing well on the same factors). With these benchmarking tasks undertaken by the WEF and the IMD, it is left for governments to complete the process by studying the countries that are 'best in class', and implementing learning-based changes aimed at improving performance. In the case of the WEF, governments are provided further guidance towards that end through the activities of its national Partner Institutes (some of which were catalysed into existence by the WEF), as well as WEF-sponsored regional and national workshops and competitiveness meetings arranged in the wake of the GCR's publication.

In order to make better sense of the *governmental* role internal to the WEF's and the IMD's promotion of and contribution to the installation and operation of benchmarking on the part of state actors, it can be useful to consider in some detail what benchmarking is all about, and what its application to states implies. In this connection, Wendy Larner and Richard Le Heron have identified three 'generations' of benchmarking techniques.[58]

56. WEF, 'About Us' (http://www.weforum.org); IMD, 'Key Facts' (http://www02.imd.ch/pressroom/facts/index.cfm).

57. On benchmarking conventionally understood, see Tony Bendell, Louise Boutler and Paul Goodstadt, *Benchmarking for Competitive Advantage*, 2nd edn (London: Pitman Publishing, 1998).

58. Wendy Larner and Richard Le Heron, 'Global Benchmarking: Participating "at a Distance" in the Globalizing Economy', in *Global Governmentality*, eds Larner and Walters, 212–32.

When it first emerged as a 'technical tool' within a manufacturing context in the 1950s, benchmarking was narrowly focused on efforts to improve quality through comparison with internally set standards. In the late 1980s, however, the relevance of benchmarking was widened, and it came increasingly to constitute an integral part of 'managerial strategy' broadly conceived. As part and parcel of this shift, benchmarking became explicitly linked to corporate concerns about competitive advantage, and comparisons were increasingly made with standards or 'best practice' identified within or across industries. More recently, benchmarking understood as a 'calculative practice' related to quantitative measures of performance has become integral to contemporary forms of neoliberal rule within private and public organisations alike.

Against this background, benchmarking can today be regarded as a general 'technology of performance'[59] in and through which various subjects and spaces are constituted and acted upon as governable objects of a neoliberal kind. In more specific terms, Peter Triantafillou has conceived of benchmarking as a *normalising* governmental technology. With 'normalisation' understood in terms of 'the procedures and processes through which a norm is brought into play and informs the practices that it seeks to regulate',[60] benchmarking works through normalisation in the sense that it encourages or stimulates self-governance through the production of normalising knowledge of that which is sought to be governed. Through a set of norms and standards established and visualised through processes of comparison, benchmarking induces its objects to relate to how one should act in order to achieve best practice.[61] In other words, the normalising comparison that informs benchmarking constitutes the objects of comparison as subjects that begin to act in ways that conform to the established norms or standards.

As a neoliberal technology of government, benchmarking can be practised in two ways. First, there is a 'bottom-up approach, where individual organisations develop their own benchmarking projects and try to find relevant benchmarking partners' to learn from or exchange experiences with.[62] In this case, benchmarking is used by a subject to act on its own actions – that is, as a technology of self-government. Second, there is a 'top-down approach, where benchmarking is imposed externally' with

59. Dean, *Governmentality*, 168.

60. Peter Triantafillou, 'Addressing Network Governance through the Concepts of Governmentality and Normalization', *Administrative Theory and Practice* 26, no. 4 (2004): 496.

61. Peter Triantafillou, 'Benchmarking som normaliserende styringsteknologi', *Politica: Tidsskrift for politisk videnskab* 38, no. 1 (2006): 22–39.

62. Sigurdur Helgason, 'International Benchmarking: Experiences from OECD Countries', Paper presented at conference on International Benchmarking, Copenhagen, 20–21 February 1997, 3.

the aim of making others act in particular ways.[63] As noted by Helgason in connection with benchmarking within the public sector, 'benchmarking can be used instead of more direct control, by introducing competitive pressures on public institutions'.[64] In order to avoid a too-rigid distinction between these two approaches to benchmarking, it should be noted that it is perfectly possible for bottom-up benchmarking to be a product of external stimuli, and for competitive pressure to be introduced by non-central agencies – be they external to or at a lower level within a hierarchical organisation.[65]

Being constitutive of the very reality that it claims to measure, country benchmarking does not operate on the basis of a set of essential state characteristics, but rather works to constitute states as entities with benchmarking characteristics. First, given its provision of 'an external frame of reference explicitly linked to concerns about competitiveness',[66] benchmarking constitutes states as competitive entities driven not by internal socio-political processes, but rather by external or global standards of conduct.[67] Second, given the importance ascribed to quantitative measures and comparisons of performance, benchmarking constitutes states as calculative agencies, or entities with a capacity to calculate and rank alternative courses of action. Third, given the overriding concern with implementing 'best practice', benchmarking constitutes states as technocratic agencies acting in accordance with expert determination of what works best.[68] Fourth, given the centrality of change and continuous improvement – as a consequence of how standards or 'best practices' undergo continuous change – benchmarking constitutes states as transformative agencies, or entities engaged in a never-ending process of reinventing themselves.

With their competitiveness reports, the WEF and the IMD do not so much respond to the needs of pre-constituted competition states, as actively contribute to produce such states by imposing competitive pressure on them. This pressure follows from the reports' overall competitive framing of states, the normalising and visualised

63. Ibid.

64. Ibid.

65. Regarding the latter, see discussion on 'Salmon's External Benchmark Mechanism' in Breton, *Competitive Governments*, 189–94.

66. Larner and Le Heron, 'Global Benchmarking', 217.

67. In connection with 'bottom-up' benchmarking, note that subjects are constituted also as cooperative entities. Julie R. Wolfram Cox, Leon Mann and Danny Samson, 'Benchmarking as a Mixed Metaphor: Disentangling Assumptions of Competition and Collaboration', *Journal of Management Studies* 34, no. 2 (1997): 285–314.

68. Anu Kantola, 'Transforming Political Imaginaries: The Uses of Competitiveness', Department of Communication, University of Helsinki, *Working Paper* 3 (2006).

comparison among countries found in the reports, and the competitive logic internal to the benchmarking that the WEF and the IMD promote and seek to install in states. An additional dimension relates to the second most important intended use of the competitiveness reports – namely, as guides to corporate investment decisions. If such decisions are influenced by the GCR- and/or WCY-rankings, then the economic prospects for countries with relatively poor rankings are threatened. However, given both that all countries have relatively poor rankings on some factors, and that 'best practice' is subject to continuous change, the economic prospects for all countries are rendered highly uncertain. In consequence, irrespective of firms acting or not on the basis of competitiveness rankings, the potential of them doing so leaves no room for complacency even for high-ranked countries, and performance-enhancing action is constituted as a necessity for competitive success on the part of all states.

With regard to state conduct, benchmarking based on the GCR and/or the WCY induces states to act in accordance with norms and standards that first and foremost imply the provision of favourable conditions for mobile firms and capital. Informed by a concern to make territorial states knowledgeable, comparable and governable as 'business environments' within the context of a globalised world economy, variables are included in the indices primarily on the basis of their perceived relevance for corporate activity, and the norms and standards established and visualised through comparison concern how various policies, institutions and other conditions influence it. Beyond full economic openness vis-à-vis the external world, these norms and standards add up to a model in which the market is constituted as the ideal in relation to which national policy-making should be directed, and governments should limit themselves to constituting the market, promoting entrepreneurship, policing competition and providing so-called public goods in cases of 'market failure'.

While this model is but a prescription for neoliberal governance within states, it should be stressed that it follows not from competitiveness indexing and country benchmarking as such, but rather from the particular norms and standards established and valorised in the GCR and the WCY. For instance, it is fully conceivable that a competitiveness index informed by a different conception of the causes of competitiveness could play into non-neoliberal governance within states. Furthermore, it is equally conceivable that country benchmarking oriented towards ends other than competitiveness would establish and valorise governmental norms and standards of a non-neoliberal kind. Against this background, it should be clear that the neoliberal norms and standards established by the GCR and the WCY are products primarily of the theoretical frameworks informing them. Secondarily, given the role played by executive opinion surveys in assessing country performance, they should be conceived also as corporate products.

Although country benchmarking can be conceived of as externally imposed by the WEF and the IMD – owing to countries having no say in their inclusion in the reports – it should be emphasised that they do not coerce states to benchmark or seek to improve their performance according to the norms and standards in question. Rather, they operate largely at a distance, from where they seek to harness the capacity of states to govern themselves in a rational and calculated fashion. Even if there is a strong degree of dependence in the sense that governments end up engaging in corporate calculation as part and parcel of their own calculation, the governance of states in question remains wedded to the ideas of free will and rational pursuit of self-interest on the part of states. In a world with limited restrictions on the mobility of firms and capital, a country geared towards the sacred goal of national competitiveness can largely be counted on to compare and seek to improve its relative performance on criteria considered to matter the most to mobile firms and capital.[69]

As a final point, it should be noted that the inducement for states to benchmark according to the GCR and/or the WCY is influenced also by the reports' status as academic-scientific knowledge regarding the economic conditions of countries worldwide. When initially produced in-house by the WEF, the competitiveness reports were little more than business perspectives on political framework conditions in Europe. To a large extent, this changed when the WEF linked up with the IMD in the late 1980s. While the post-1995 WCY continues to receive its academic-scientific authority from the IMD, such authority on the part of the GCR has been sought through the WEF's collaboration with 'experts' like Sachs and McArthur of Harvard University, Porter of Harvard Business School and, more recently, Sala-i-Martin of Columbia University. If prominent academic institutions and scholars lend their authority to the competitiveness reports, and if the reports' norms and standards for state conduct are sanctioned by influential economic theories, then so much greater is the inducement for 'responsible' states to take them seriously and act accordingly.

Conclusion: The Future of Neoliberal Governance of States

This article has argued that the competitiveness reports produced by the WEF and the IMD are not innocent sources of knowledge regarding the economic state of affairs in various countries, but rather play a central role in contemporary efforts to govern states in accordance with a neoliberal governmentality. In more specific terms, they do this by both

69. This accords fully with the customer perspective internal to benchmarking. C. J. McNair and Kathleen H. J. Leibfried, *Benchmarking: A Tool for Continuous Improvement* (New York: John Wiley & Sons, 1992), 2ff.

contributing to the constitution of states as flexible and manipulable market subjects, and acting on their actions as such subjects from a distance. Constituted as rational and self-interested subjects engaged in competition for economic activity, states are induced to improve their performance by acting in accordance with the norms and standards that the reports establish and visualise through inter-state comparison. With best practice across multiple variables conforming to a neoliberal model of governance within states, governments are guided towards the provision of favourable conditions for mobile firms and capital.

Although it is beyond the scope of this article to consider the exact extent to which, and way in which, the GCR and the WCY are put to use in various countries, it is clear that many governments do engage more or less systematically in benchmarking exercises of the intended kind, and that many of these exercises are wholly or partly based on the reports produced by the WEF and the IMD.[70] Furthermore, 'national competitiveness' has also become lucrative business for the big consultancy firms, and some governments engage them to help with benchmarking and policy development based thereon. A case in point that draws almost exclusively on the GCR and the WCY is J. E. Austin Associates, Inc. (JAA), which has also been frequently contracted to implement USAID-funded 'national competitiveness initiatives' based on the competitiveness reports in question.[71] It is also noteworthy that international organisations like the Inter-American Development Bank (IDB) use the system of GCR-indicators to measure the progress of their 'national competitiveness programmes'.[72]

Even if benchmarking based on the GCR and/or the WCY feeds into neoliberal governance within states, actual cases of such governance cannot be reduced to an effect of GCR- and/or WCY-based benchmarking alone. While some governments have moved in a neoliberal direction independently of what other governments do, yet others have been

70. Countries that engaged early in such benchmarking exercises include several smaller ones in Europe (e.g. Denmark, Finland, Ireland and the Netherlands) and East Asia (e.g. Hong Kong, Malaysia and Singapore). In 2002, the WEF also prided itself for its collaboration with Colombia, 'whose economic reform programme is based on the [WEF's] competitiveness approach'. WEF, *Annual Report 2001/2002* (Geneva: WEF, 2002), 11. While the GCR and the WCY have played a central role in these and other efforts to benchmark country competitiveness, the exact way in which they have been put to use and contributed to give shape to policies requires a separate analysis of each particular case.

71. With initial assistance from Michael Porter's Monitor Company – itself involved in providing competitiveness consultancy services to governments around the world – JAA developed a Country Competitiveness Analysis methodology in 1997–8, and has since implemented it in a large number of countries (including Armenia, Croatia, Jordan, Pakistan and Sri Lanka). For an overview, see http://www.jeaustin.com/001.html.

72. IDB, 'Competitiveness: Strategy Document' (Washington, DC: IDB, 2003).

disciplined in the same direction by organisations such as the IMF and the World Bank. Irrespective of the source of neoliberal governance within states, it should also be clear that we are not witnessing a complete standardisation of such governance. Rather, efforts to govern the national economy in accordance with a neoliberal rationality of government tend to be affected by the specific local context.[73] Furthermore, even in states that appear to be neoliberal all the way through, it would be an exaggeration to say that it is all neoliberalism and nothing else. Against this background, it is more accurate to talk about intra-state governance being neoliberalised or moving in a neoliberal direction.[74]

Governance within states aside, I will conclude with some reflections on the future of the broader issue of neoliberal governance of states. In this connection, it makes sense to revisit the conditions postulated by public choice theorists for locational competition to be played to best effect. Regarding the availability of relevant and comparable information about different locations, it is reasonable to assume that the production of such information will continue to grow. With a steady increase in the number of publications assessing, comparing and ranking national business environments, the potential problem related to this condition is likely to concern an oversupply rather than undersupply of the information in question. This has been recognised by the World Bank, which is now providing a 'one-stop guide to business environment indicators' for most countries.[75] While a potential 'information overload' can complicate the ability of actors to make (re)locational decisions, it need not impact on locational competition as such – for the simple reason that such competition depends more on exit being an option, than the exit option being used.

With regard to the freedom of production factors and products/services to enter and leave locations, there are no clear indications of either a move towards complete locational freedom, or a significant reversal of the locational freedom that already exists. However, popular discontent with the free flow of products, services and capital has grown markedly since the mid-1990s, and a continuation of this trend may well pose a significant challenge to the neoliberal governance of states. In this connection, it should be pointed out that the economic globalisation of the past few decades has been internal to a governmental project aimed

73. Susanne Soederberg, Georg Menz and Philip G. Cerny, eds, *Internalizing Globalization: The Rise of Neoliberalism and the Decline of National Varieties of Capitalism* (Basingstoke: Palgrave Macmillan, 2005).

74. Adam Tickell and Jamie Peck, 'Making global rules: Globalization or neoliberalization?', in *Remaking the Global Economy: Economic-Geographical Perspectives*, eds Jamie Peck and Henry Wai-chung Yeung (London: Sage, 2003), 163–81.

75. World Bank, 'Business Environment Snapshots' (http://rru.worldbank.org/besnapshots). The guide includes the World Bank's own *Doing Business* reports, as well as other influential indices such as the Heritage Foundation's Index of Economic Freedom.

not merely at constituting a 'global marketplace' for corporations, but also at structuring the action field of governments – by limiting their interference with cross-border economic flows, deepening inter-state economic (inter)dependencies, and engaging them in competition for economic activity. Although a further strengthening of the opposition to the contemporary form of neoliberal globalisation need not result in deglobalisation, attempts to reform global economic governance in a non-neoliberal direction are also likely to have significant implications for locational competition among states.

Regarding the prevention of regulatory cartels, negative non-market externalities and strategic state behaviour, and though it cannot be ruled out that a rule system for locational competition might evolve 'slowly over time in a Hayekian process',[76] there is not much today to indicate that states are about to write off significant amounts of legal sovereignty for the sake of making locational competition more efficient and stable. As argued in the present article, however, the absence of supranational rules and enforcement mechanisms does not prevent governments from being induced to behave competitively through less formal and less disciplinary mechanisms. Importantly, governments are not only guided to behave in such a way by actions on the part of various external actors, but have increasingly come to constitute and act on themselves and their citizens as competitive and entrepreneurial market subjects through national competitiveness councils, national competitiveness reports, investment promotion agencies, national benchmarking exercises, and the like.

In spite of this, it must be recognised both that all states are not equally engaged in locational competition, and that a concern with national competitiveness does not guide all conduct even in states otherwise geared towards it. While the former largely depends on the extent to which a particular state is integrated into the globalising world economy, the latter points to some possible limits to locational competition. In this connection, a link can feasibly be made to what Philip Cerny has referred to as two potential crises related to states being constituted as 'competition states'. One of these crises concerns the erosion of 'the conceptions of common interest and community which have legitimated the institutional authority of the nation-state over the past several centuries' as a result of the quest for national competitiveness leading to 'the demotion of the state to a mere pragmatic association for common ends'.[77] Second, in spite of how some public choice theorists promote locational competition in the name of democracy, it is possible to talk about a potential crisis of democracy as we know it – partly as a result of government policies being increasingly guided by a concern with the perceived interests of mobile and exit-prone firms and production factors, and partly because

76. Siebert, 'Locational Competition', 155.

77. Philip G. Cerny, 'Paradoxes of the Competition State: The Dynamics of Political Globalization', *Government and Opposition* 32, no. 2 (1997): 254–5.

of the emergence of 'a new and potentially undemocratic role … for the state as the enforcer of decisions and/or outcomes which emerge from world markets' or centres of authority external to the state.[78]

This said, neither of these potential crises will necessarily be actualised. Regarding the potential crisis of community, it would be premature to rule out the possibility of the 'economic logic' of selling a country to mobile firms and production factors being successfully complemented with a 'social logic' through which immobile citizens are given a sense of communal belonging.[79] In this connection, it is interesting to note that the discourse of national competitiveness has become increasingly central to contemporary processes of identity construction and community building at both state and regional levels.[80] With regard to the potential crisis of democracy, it can be noted that democratic practices have always been subjected to constraints, and that it would be premature to rule out the possibility of economic globalisation and locational competition being constituted as seemingly apolitical or natural constraints within which democracy is practised.

The future prospects for neoliberal governance of states are likely to be influenced also by the economic effects of locational competition. In this connection, it can initially be noted that its costs and benefits are likely to be unevenly distributed both between and within states. In spite of claims to the contrary, all states and their citizens cannot win out in locational competition, and there are likely to be limits to how long the promise of success can be successfully held out to the losers. While it is commonly argued that the worst thing for a country today is to fall by the wayside in relation to developments in the world economy, there is likely to be a point at which that wayside is preferable to the downside of locational competition. Moreover, a world characterised by locational competition is geared towards the provision of favourable conditions for mobile firms and production factors and, in contrast with the latter's 'exit' option, immobile forces can increasingly come to use their 'voice' option in attempts to move government policies in a different direction – especially in countries experiencing the downside of locational competition.

The sense that locational competition is far from all good opens up the possibility of governments joining forces in an attempt either to limit

78. Ibid., 258.

79. On these logics, see Chris Philo and Gerry Kearns, 'Culture, History, Capital: A Critical Introduction to the Selling of Places', in *Selling Places: The City as Cultural Capital, Past and Present*, eds Gerry Kearns and Chris Philo (Oxford: Pergamon Press, 1993), 3.

80. George T. Crane, 'Economic Nationalism: Bringing the Nation Back in', *Millennium* 27, no. 1 (1998): 55–75; Ben Rosamond, 'Imagining the European Economy: "Competitiveness" and the Social Construction of "Europe" as an Economic Space', *New Political Economy* 7, no. 2 (2002): 157–77.

or put an end to it. An interesting case in point is the OECD's Harmful Tax Competition Initiative of 1998. This case is interesting not because it posed a fundamental challenge to locational competition; it did not, as it 'acknowledged the importance of tax competition in disciplining profligate governments and promoting a favourable climate for investment', and merely addressed a few specific tax practices considered to be 'harmful'.[81] Nor is the case interesting because it had a significant impact on locational competition; it did not, as it was 'sabotaged by the world's most powerful single actor, the United States'.[82] Rather, the case is interesting both because it became a case at all, and because it did so within an organisation centrally involved in the promotion of economic globalisation and locational competition. As the latter intensifies, it is far from inconceivable that the sentiments underpinning the case can gain force and engender more comprehensive efforts aimed at constraining locational competition.

While it is futile to try to predict the future of neoliberal governance of states, studies that draw attention to the power and politics internal to economic globalisation and locational competition can potentially contribute to render such governance problematic, as well as to open up a space of imaginative possibility between the present and the future. There is nothing natural or given about states striving to improve their so-called national competitiveness, and no matter how often we are told 'it is about competitiveness, stupid', what might qualify as 'stupidity' can perhaps more properly be located in the tendency to take for granted what is but a neoliberal project of government.

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81. Richard Woodward, 'Winning and Losing in the Global Economy: The Case of the OECD's Harmful Tax Competition Initiative', *CGPE Working Paper*, no. 4 (2004): 6.

82. Ibid., 14. For an analysis emphasising the role played by transnational business, see Michael C. Webb, 'Defining the Boundaries of Legitimate State Practice: Norms, Transnational Action and the OECD's Project on Harmful Tax Competition', *Review of International Political Economy* 11, no. 4 (2004): 787–827.