

Commentary

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Globalization and the Nation-State

Ever since the Renaissance and the Enlightenment, the role of the Nation-State has been paramount in influencing economics, politics, cultures and individual identity. A Nation-State is defined in many respects by the placement and maintenance of its borders. But in recent decades, the globalization of trade and economic development, with cross-border investment and communications, along with population migration, has made the Nation-State less relevant and less influential in world affairs. History clearly indicates the ephemeral nature of national borders with the rise and fall of nations and empires and with the passage of time. The great Roman Empire developed the structure of *civitas*, *provincia* and *regio* that remain as influential concepts in the modern world in terms of government and politics. But their relevance and durability are questionable for a world that is progressing to absorb, and to adapt to, ever-increasing globalization of the fundamental social, economic, cultural and political structures and defining influences of the modern world. In the global community there is recognition and acceptance of the declining relevance of the concept of the Nation-State in today's ever-changing world. Classical economists have traditionally regarded the Nation-State as an arbitrary abstraction; religious doctrines have historically attempted to convey universal philosophical and moral principles that transcend national boundaries. Today we are experiencing a global revolution of an elite class of international diplomats, business leaders, information technologists, social and economic development experts and academic and humanitarian writers and thinkers who are shaping and directing a transition to a new world order that is supranational in nature.

In their 2000 book *A Future Perfect: The Challenge and Hidden Promise of Globalization*, authors John Micklethwait and Adrian Wooldridge, correspondents for

The Economist, pointed out the sources of the erosion of the Nation-State as coming from two distinct directions: from within, where minority groups devolve from allegiance to the less-relevant Nation-State in pursuit of more focused self-interests and governance; and from above where supranational bodies and regulatory authorities, such as the United Nations, the World Trade Organization and the International Labour Organization pursue global social, economic and trade policies that may be inimical to narrow local national interests. Global financial markets and currency trading, new technologies and global businesses growth, as well as population migration, are all powerful forces that exert diverse influences at the supranational level beyond the constraints of Nation-State borders. While globalization has its adherents and detractors who respectively applaud or decry its advance, it is nevertheless a fact of modern life that is having profound consequences on the role and the future of the Nation-State.

One critical aspect of the Nation-State that is changing with globalization is that of the welfare-state. The traditional role of welfare-states is typically to provide the national citizenry with financial support and services such as education, health care, unemployment, and pensions. However, it is a pertinent question to consider whether the decline of the Nation-State might engender a decline in the concept of the welfare-state as national governments reduce taxation levels to attract capital in a competitive global market environment. Globalization erodes not only the institution of the Nation-State, but also the benefits that it can provide to its national citizenry. The combined effect of globalization and demographic changes, (such as declining birth-rates and mortality rates that result in aging populations and increasing dependency ratios of the elderly to the active workforce participants), and the striving to remain competitive or achieve

competitive parity with other nations, will likely produce challenges for sustainable welfare-states. Global mobility and population migration will increasingly weaken the sense of identity with Nation-States as individuals become more able to act as global citizens with residency and work opportunities no longer restricted by their country of birth or national citizenship. Social Security systems and the provision for old-age income support will increasingly need to be modified to address the realities of globalization and population mobility. Just as corporations have designed and developed special retirement plans for mobile employees and so-called third-country nationals, so too will Social Security systems need to be viewed in a global context rather than in a purely Nation-State context.

United States law provides compulsory Social Security coverage for services performed in the United States as an employee regardless of the citizenship or country of residence and irrespective of the length of time the employee stays in the United States. Already a number of special Social Security totalization agreements are in place that represent bilateral treaties between nations to improve benefit protection for workers who have divided their careers between countries; they also eliminate dual Social Security coverage and taxes for multinational companies and expatriate workers. Agreements to coordinate Social Security protection across national boundaries have been common in Western Europe for decades; the United States currently has bilateral totalization treaties with twenty-one other nations.

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