



FEATURE REVIEW

Dependency today—finance, firms, mafias and the state: a review of Susan Strange's work from a developing country perspective

ANNA LEANDER

The relevance of Susan Strange's work to developing countries is often overlooked. This owes more to the disinterest and selective reading of most commentators than to the absence of arguments and threads of thought regarding developing countries in Strange's writings. One of her major books (*Rival States, Rival Firms*) deals mainly with structural change in international production and its implications for developing countries.¹ The book is based on case studies of Kenya, Malaysia and Brazil. In Strange's thinking about international finance the 'debt problem', the way it has been handled and the effects of this for developing countries, as well as for the international financial system, figure prominently. Most significantly, one of her fundamental questions was always *cui bono?* In answering it, she invariably refers to developing countries. In other words, although Strange was no doubt most interested in overall international structural change, it is not necessary to dig out the odd footnote to find ideas about developing countries and how to study them.

The aim of this review is to bring out this generally overlooked aspect of Strange's work. It proceeds by drawing attention to the pillars around which Strange's approach evolves. It begins by underlining the crucial and growing importance of international structures and, in particular, international financial structures for the analysis of developing countries. It develops Strange's claims that it is increasingly difficult to opt out of the international system, that development is increasingly asymmetrical and that, consequently, questions of international regulation become increasingly salient. The review then follows Strange in arguing that private actors, as opposed to states, governments and policy makers, are increasingly central to understanding developing countries. I develop the argument that private actors have been empowered by recent structural shifts and that, although the state is very important, state capacity has been severely circumscribed. The review further argues that it is important to move beyond general arguments and trends. That is, the review argues that Strange's approach opens an interesting and rich kaleidoscope of questions.

Anna Leander is researcher at the Copenhagen Peace Research Institute.

However, it also points to areas where the analysis and the answers could be more convincing and richer if Strange's work was linked more explicitly to existing literature on developing countries.

Dependency today

Opting out of the world market economy is no longer an option. That is what dependency means today. (Strange, 1994: 215)

An overarching theme in Strange's work is the priority of international structures. She insists that recent changes in the international political economy have made it more necessary than ever to give priority to international structures in the analysis of developing countries. Technological change and politics (of public and private actors) have led to a change in the way the economy works. They have made the rapidly growing internationalisation of production and finance possible. Moreover, they have resulted in an increasingly technology-intensive production where profit margins are squeezed. In these conditions, 'strategic alliances' between firms have become crucial to reduce costs and risks or to extend market shares. Similarly, finance and financial strategies have become increasingly important both to firms and to states. These processes further accelerate the process of internationalisation. The result is that the rules of the game in national economies and the direction of change are determined by 'international' structures.

Strange pinpoints some crucial implications of these changes for developing countries. The most significant one is that withdrawal from the world economy is no longer an option. A country, or a group of individuals, cannot simply decide that they do not want to participate in the international economy and thereby free themselves from its influence. Or, more correctly, the price of doing so is exceedingly high. The reason is, first, that there are considerable advantages to openness. The altered nature of technology and competition has made reliance on foreign-owned firms for market access, technology and job creation a *sine qua non* of development. Moreover, access to international financial markets, as a source of credit and profits, is increasingly important both for firms and public institutions. Second, public and private institutions (eg the IMF, WTO, other governments, foreign and local business, rating agencies and hedge funds) pressurise countries to open up to international trade, direct investment and finance. Heavy penalties, such as the closing down of financial and trade markets, the absence of investors, lowered credit ratings, and pressure on currencies, usually face countries which do not comply. Consequently, although openness may not bring development, forgoing openness amounts to forgoing development. For Strange, it is therefore not surprising that most countries chose to 'liberalise' and see strategies of self-reliance as neither adequate nor realistic.

Since the economic and political fate of developing countries is increasingly decided by international factors, it is crucial to think about international regulation (Strange 1995: 72). For Strange, the key characteristic of present international regulation is 'ungovernance': an increasing number of issues remain unregulated. The existing regulation tends to express the interest

of dominant states and private actors, rather than the outcome of a formal political process. Central issues never get onto the agenda of international organisations (IOs) and, if they do, the IOs have little chance of arriving at and implementing decisions that do not reflect the interests of dominant actors. Clearly, some governments, the US in particular, bear more responsibility for, and have benefited more from, this state of affairs than others. There is growing asymmetry 'between states whose domestic policies have an impact on societies and economies other than their own, and states which have no such power and were more likely to suffer and have to adapt to the domestic policies of the more powerful governments' (Strange 1998b: 706). Partly because of this, Strange is sceptical about the prospects of international regulation. The 'assumption is that Africa does not matter because no important economic interests are greatly affected' (1998b: 116). But an even greater obstacle may be that in many cases regulation would require the collaboration, if not the control, of private actors.

This general caveat is directly tied to some of the most heated and central debates about developing countries today. First, the debate about the nature of Strange's structural shifts is far from closed and much remains to be done to refine and develop our understanding of these shifts. Many authors contest whether they exist at all. Some argue that the world is no more integrated than before World War II (Hirst & Thompson, 1996). Others claim that the present trend is merely a 'return' to normal (Mann, 1997), or that it is simply vastly overstated (Wade, 1996). Strange would be the first to recognise that, because of the complexity and dynamism involved in the changes she describes, the areas of 'significant ignorance' have become larger rather than smaller and that, in order to understand the processes underway, continued research is badly needed. However, to make the argument convincing, a more refined and detailed analysis is required. Strange points out that arguments based on existing statistics are often inadequate because they fail to capture the shifts or because they misinterpret the data available (Strange, 1998a). However, this is an insufficient reason for not trying to do better. Linking up more extensively with existing writing on the subject would be an obvious start.

Second, further specifying what is meant by 'no opt out' and how much scope for variation remains seems very important. Strange's work tends to assume rather than elaborate on the mechanisms by which structural shifts affect developing countries. Clearly, this is again an area that is replete with work. Indeed, the question of how international and national structures are articulated has haunted not only dependency scholars and their present day heirs,² but most political economy work on developing countries. For example, North Korean-style autarky may be neither attractive nor feasible. Everyone can agree on that. However, restricting capital account openness, and to a certain extent foreign direct investment and trade, may well be viable (Amsden, 1990; Wade & Veneroso 1998). Such nuances are crucial and are intensely debated. Linking up Strange's work with this issue would be an excellent way of refining and strengthening our understanding of the extent to which opting out is really precluded and, how much leeway there is for states and their citizens to choose a particular mix of values for their society.

Involuntary losers in the international casino: the implications of structural change

The aspect of international structural change that Strange worked the most on is that of finance. She writes that: 'my personal conviction ... is that it is *the* prime issue of international politics and economics' (1998b: 18). This holds for developing countries too. Thanks to structural shifts, the organisation and distribution of finance is increasingly decided internationally. That is to say, developing countries are increasingly touched by the international financial structure. This is nowhere more visible than in the so-called debt problem.

Financial structures and development

The great difference between an ordinary casino which you can go into or stay away from, and the global casino of high finance, is that in the latter we are all involuntarily engaged in the day's play. (Strange, 1986: 2)

Developing countries tend to be caught in the uncomfortable situation of playing a game, which certainly offers some gains, but in which, on the whole, they are recurring losers. Leaving it is neither more attractive than staying in nor likely to be feasible.

The links of developing countries to international finance have a number of implications: (1) their exchange rates (if their currencies are convertible), their interest rates (if the capital account is open) and more generally the terms on which they can raise credit, are directly tied to the overall system. For instance, a decision by the USA to raise interest rates will alter the relative attractiveness of their currency, of their government bonds and of the shares their firms trade on the market; (2) they are affected by the increasing volatility and instability inherent in the international system. A crisis in Mexico will affect Turkey, Argentina or Malaysia even if there is no perceptible change in policies and no change of economic 'fundamentals'; (3) their 'internal' institutionals are shaped by the empowering and disempowering effects of the international financial structure. Private, mobile capital holders are strengthened (see also Frieden, 1991). They can raise and earn money internationally. They can escape the—ever weakening—grip of the state that can neither force them to pay taxes nor control their doings. For example, an adequate explanation of the Korean state's loss of control over its *chaebols* (industrial groupings) should include (among other things of course) the effects of opening up to international financial markets in the 1990s (Amsden & Euh 1993).

Strange would argue that international financial structures have particularly strong and skewed effects on the poor and on institutionally weak developing countries: their decisions about interest rate changes do not matter and they are unlikely to be consulted about the interest rate changes in countries where it does matter. Instability and crisis originating elsewhere is also more likely to touch them: financial markets are likely to be less confident about the prospects of their economies and financial markets and hence more likely not to engage themselves and keep the option of quick withdrawal open. Finally, the impact of financial structures on national institutions is likely to be all the more dramatic as poor

and underdeveloped countries are likely to have the weakest national institutions (firms, banks, states, political parties, organised interest groups and civil society). In Strange's view, developing countries are not only involuntary players, but also recurring losers.

So why do developing countries not leave the system? The answer refers back to the claim that, because of structural change, opting out is no longer an alternative, or at least it is increasingly less of an option. Production is ever more technology-intensive. Low wages are no longer enough. Investing in technology becomes all the more important. This creates incentives for the opening up to international finance as one way of raising capital. Moreover, development increasingly depends on buying international technology and know-how or on co-operating with firms that possess these. In return, these firms demand a promising business. This usually includes operating under liberal policies on finance. Local business usually supports their demand since they too increasingly have to compete on international terms. Furthermore, access to the markets of developed countries, also crucial for development, is often conditional on opening one's own economy, including the service sector (banking and finance included, as reflected in the General Agreement on Trade in Services (GATS). Finally, international financial institutions, private and public, demand the opening up of financial markets as a counterpart for confidence and further extension of credits (although there is no guarantee that liberalising will be enough). Consequently, the offer of opening up to international finance is one that most countries cannot and do not want to refuse.

The politics of debt

The skewed impact of the international financial structures is nowhere more visible than in the handling of international debt. In most national economies legal procedures regulate bankruptcy and forbid usury and private enforcement of debt repayment. By contrast, in the international system no overarching authority could impose such regulations. No agreement is in sight on what the content of an international bankruptcy and lending system would be. Nor is there much enthusiasm for the creation of such a system. It would damage the illusion of sovereignty (Strange, 1998b: 98). Instead the issue is handled 'pragmatically' (Strange, 1998b: 99). In other words, who takes what share of the cost, and what kind of 'punishment' is imposed on the debtor, is a matter of what is feasible in view of the relative ability and influence of the creditors and debtors. This, in turn, to a large extent reflects the empowering and disempowering effects of international financial structures.

The debt crisis therefore closely mirrors the system effects of international finance. Developing countries have borne the costs of debt problems that were often not home grown. Strange considers imprudent lending, developed country trade and investment policies, US interest rate and exchange rate shifts, contagion effects and the increasing volatility and instability of international finance to have been crucial ingredients in the recent debt crises (1982, 1994, 1997). Nevertheless, repayment has been the rule. Rescheduling, debt swaps, write-downs, IMF packages and so forth, have not been designed to provide developing

countries with the equivalent of a bankruptcy option. Rather, they ‘work as antidotes to the virus that could attack the global financial system. They do not necessarily cure the carrier of the virus—the indebted country’ (Strange, 1998b: 111). Moreover, to the extent that the debt burden has been borne by creditors, it has been shifted from private to public ones, reflecting the growing strength of private actors. Whereas part of the costs of the 1982 Mexican crisis ultimately fell on private bankers (through the bank contributions to the 1983 rescue package and the 1989 Brady Plan), in 1995 the USA took the lead in getting other governments, the World Bank and the Asian Development Bank to put up most of the funds (Strange, 1998b).

However, it would be misleading to place all developing countries in one basket. ‘Unlike in the 1980s, there was no general “debt crisis” in the 1990s’ (Strange, 1998b: 121). While many newly industrialising countries (NICs) rely extensively on the ‘more mobile, less vulnerable insurance and pension fund managers and other portfolio investors’ for international credit,³ the poorest countries receive virtually no private funds. Private creditors have ‘lost confidence’. Public, notably multilateral, creditors have stepped in to take their place, often with the aim of allowing private creditors to leave without losses. By following this strategy, ‘the Bank and the Fund actually created a debt trap even worse than the one they purported to remedy’ (Strange, 1998c: 106). The result is bleak development prospects. In the 1990s, the amount the poorest African debtors spent on servicing their debts to multilateral institutions was higher than the amount they spent on health, basic nutrition and education (Strange, 1998b: 114). The foundering of political initiatives to deal with the situation again illustrates the very unequal say of countries when it comes to regulating international debt.⁴

In sum, development is shaped by international finance. The provision of credit is crucial for investment and hence for growth.⁵ Also, the terms on which credit is given are increasingly determined internationally. For Strange, this cannot be accounted for once other factors have been considered (eg the institutional setting and the strength of the state or factors of production endowment and the nature and distribution of capital). International finance *shapes* these factors. These general claims leave plenty of room for elaboration and again could fruitfully be tied into existing debates.

An obvious place to start is to develop in more detail how and why in given cases international financial structures have (or have not) shaped developmental paths, institutions and state policies. It is true that the literature on this issue is rather scant.⁶ However, linking up with what there is would seem like a promising starting point. Indeed, precisely because of the very unequal and varied effects of changes in international finance, it seems very important to specify the mechanisms of this influence and to develop a far more precise understanding of what any one country can do to control these mechanisms. The detailed case studies go some way in this direction. Second, on the issue of debt, the most pressing issue is what can be done to regulate international finance in a way that is slightly less disadvantageous to the citizens of developing countries. On this issue there is an enormous amount of (usually specialised economic) work of which Strange is very critical. Evaluating work on the

prospects of ‘our international guardians’ in regulating international finance, she first points to the ‘sudden enthusiasm for self-regulation [which stems from the fact that] large internationally active banks found that regulators were often uninformed and wasted everybody’s time’. Strange provides little in terms of solutions. She limits her aspiration to stating the problem correctly. A crucial part of the problem is the privatisation of power.

The privatisation of power: the changing hierarchy of actors

Strange argues that it has become imperative to study the role of private, non-state actors in shaping the fate of developing countries. These actors may always have been more important than was widely thought. Be this as it may. As a result of structural change, private actors are now absolutely central. As emphasised above, private actors play a central role in deciding who gets credits on what terms and governments continuously bargain (or wish they were in a situation to bargain) with them. But they also play a central role in most other areas of international political economy. If politics is not only about what states do and international politics not only about security, taking private actors seriously becomes unavoidable. The following section illustrates this point by elaborating the link between structural change and the evolving role of two private actors in developing countries: firms and organised crime.⁷

The role of private firms: on the politics of production

For Strange, one of the key changes of the past two decades has been the internationalisation of production and the associated change in relations between developing countries and foreign investors. Strange believes that development prospects, as well as internal institutions and ‘state capacity’, are now largely shaped by firms and that firms therefore have to be at the heart of any serious analysis and explanation of economic development.

A ‘new dependency’ is emerging. Firms possess the technology and know-how needed for development. The marketing and production networks of multinationals are often the *sine qua non* of market access. Consequently, it is harder than ever for poor countries to be truly ‘independent of the capitalist world economy. But dependency is no longer equated with the relegation of local labour to menial tasks in the fields or the mines ... The foreign firm has not only proved that it can be an engine of growth—in incomes, in jobs, in exports in skills—it is also perceived as such’ (Strange, 1996: 49). However, the potential for ‘dependent development’ does not mean that the North–South gap will disappear or even narrow. In some respects it may widen. Thus, Strange believes that it is virtually impossible for the South to get a foothold in the service sector that is increasingly important for economic growth.

The North–South asymmetry between sellers and buyers of services echoes the old asymmetry between manufacturing production in the North and primary production in the South. But it is in many ways more subtle and harder to escape. What is

obvious is that no enterprise in a developing country can operate in and sell on the world market without making use of more than one of these services. (1996: 52)

Strange argues that this new and subtler dependence produces a situation where foreign-owned firms play an increasing role in setting the parameters for national development. Two examples will illustrate the point: labour relations and taxation.

Labour costs are plainly visible and easily compared and, consequently, important in determining foreign investment location. The mushrooming of 'export processing zones' which exist precisely because they allow foreign-owned firms to avoid national regulations (including taxes and labour market rules) is one of many illustrations of how developing countries have rushed to accommodate the, often unarticulated, demands of foreign firms. However, governments also adjust internal labour relations. Foreign firms usually look at militant and politicised unions as a threat to the stability of their operations and to the political stability of a country in general. Consequently, 'most states tend to oscillate between exclusionary, repressive policies, and attempts to incorporate the labour movement in the official political and administrative structure' (Stopford & Strange, 1991: 198). Overall, a growing share of labour relations is regulated by firms and not by the state and therefore 'firms just like states can be conceived as social institutions for the co-ordination of potentially conflicting interests' (Strange, 1996: 60).

Second, globalisation alters taxation. It makes it more difficult to raise taxes. Firms can threaten to relocate their production and/or make their investments elsewhere if the costs are too high. The consequence is that governments courting firms (local and foreign) find it difficult to impose not only corporate taxes, but, more generally, any tax that will increase the costs of firms. This, of course, also concerns social contributions and income taxes, which will show up as part of the real wage in the firms' calculation. A less well understood, aspect of the tax issue is that firms are also 'tax-gathering organisations' (Strange, 1996: 60). Firms gather 'taxes' when they receive exemptions from tax payments in various forms and thereby are allowed to distribute nationally and internationally the gains from taxes. Internationally, firms often get tax exemptions for costs they have had abroad (eg for the payment of royalties, import duties, legal costs or bribes) and this is a way of distributing the money of taxpayers in one country to the government in another one. Similarly, firms distribute tax income on the national level when they are exempted from paying taxes on the fringe benefits of their employees (most concerned are owners and managers), or on charitable donations (funding a private school or university or a newspaper).

The mafias: on the international politics of diffusing authority

Like transnational enterprises, organised criminal gangs—mafias, for short—have been around for a long time. Neither is a new phenomenon. Yet in both cases, what is new is their number; the expanding extent of their transnational operations; and the degree to which their authority in world society, and in the world economy rivals and encroaches upon that of governments. (Strange, 1996: 110)

These are the opening lines of a chapter on the role of organised crime in world politics. The general thrust is that, as mafias have internationalised, the balance that existed in many places between states and mafias is unsettled, to the advantage of the mafia. This applies to rich as well as to poor countries. However, the process has often gone further in poor countries, where organised crime is openly at war with the state and/or threatening to take it over from within. Cases in point are Colombia, Sudan, Afghanistan and Russia. Consequently, accounts of development have to remain open enough to leave space for this influence where it counts and to recognise that organised crime is not a national phenomenon.

Organised crime has thrived off the magic of the international market. More often than not, today supply and demand are no longer determined exclusively, or even mainly, within the confines of the nation state. International demand for the goods and services provided by organised crime has grown rapidly. Drugs are part of the story.⁸ However, as Strange points out, only 40% of money laundering done through international banks is thought to come from drug deals. The rest is accounted for by the profits from other kinds of illegal trading—in arms and nuclear material for instance—and tax evasion (1998b: 124). On the supply side, structural shifts have made alternative activities relatively less profitable. Thus, Strange draws a direct link between the agricultural protectionism of developed countries and the fact that many farmers have turned to growing illegal crops instead (Strange, 1998d: 15). Moreover, the increasing clout of organised crime in development is attributable to the operation and (non) regulation of the international financial system. This system makes it possible to launder dirty money with relative ease. Using transnational banking services and the rapidly growing numbers of international tax havens has provided organised crime with an easy escape route from national controls on the origin of funds, and correspondingly weakened the grip of states. Thus it is no coincidence that major tax-havens are situated at the crossroads of the principal routes of the illegal narcotics trade or close to major financial centres (see also Palan, 1998).

There is an obvious need to ask questions about and clarify exactly the nature of private actor influence in different countries and different sectors, as well as to determine what allows us to explain the differences. In part this makes it necessary to develop links between work on developing countries and specialised work on private actors. This is the sense of Strange's repeated call for an integration of business and management theories. Of course, the integration is already extensive. In fact, there is considerable work on different private actors, including international ones, in or in relation to developing countries. Strange herself draws on this work, particularly in her *Rival States, Rival Firms* book.⁹ Moreover, the argument raises fundamental questions about politics. Strange points to the obvious question of the extent to which private firms can fill functions traditionally filled by the state (education, healthcare and taxation for example). More generally, the increasing clout of private, often foreign, actors raises the question (dear to scholars in institutional economics and comparative political economy) of what happens to corporatist relationships, state autonomy and the range of policy options

(Evans, 1995; 1997). This issue brings us straight to the last section of this review.

The paradox of defective states: on the primacy of understanding the state

Failure to manage the national economy, to maintain employment and sustain economic growth, to avoid imbalances of payments with other states, to control the rate of interest and the exchange rate is not a matter of technical incompetence, nor moral turpitude nor political maladroitness. It is neither in any direct sense their fault, nor the fault of others. None of these failures can be blamed on other countries or on other governments. They are, simply, the victims of the market. (Strange, 1996: 14)

The role of the state in developing countries is not neglected in the literature. But is poorly understood according to Strange. Claims to sovereignty and authority over the economy and society are taken at face value. Yet state authority is increasingly problematic, particularly in developing countries. The developmental path, the nature of national institutions and politics, and the growth prospects of developing countries are increasingly determined at the international level, by international finance and by private actors. As a group, developing countries have lost out in this process to states who benefit from the working of the system and who (partly as a consequence) have an influence over how it is (not) regulated, as exemplified by the debt problem. To paraphrase Strange (1996: 189): power has (1) shifted upwards from weak states to stronger ones with global or regional reach beyond their frontiers; (2) shifted sideways from states to markets and thus to non-state authorities deriving power from their market shares; and (3) has evaporated, in that no-one is exercising it. The last point bears repeating: the loss of authority is not zero-sum. 'What some have lost, others have not gained. The diffusion of authority away from national governments has left a yawning hole of non-authority. Ungovernance it might be called' (Strange, 1996: 14). The result is that many, perhaps most, societies have to be content with the mere appearance of autonomy, with a façade of statehood.

The claim that the state as an institution has been weakened does not imply that the state does not matter. Strange, paradoxically perhaps, believes the contrary to be true. For developing countries, it is absolutely crucial to have well functioning states. Strange is convinced that markets will not, on their own, distribute resources to further development. She therefore believes that 'small poor countries cannot afford the luxury of letting market forces determine outcomes' (Stopford & Strange, 1991: 8). An effective state is a precondition for attracting foreign-owned firms and creditors and for making good use of their presence. Strange would hasten to add that the nature of effective state intervention has changed too. It is no longer about governing business (or markets) and bargaining. It is about collaborating, providing stability and providing favourable conditions.¹⁰

Consequently, for Strange, the increasingly troubled nature of state authority in many developing countries seriously impairs development; it hampers the emergence of effective national and international economic regulation. It may even engender a vicious circle whereby the weakness of state authority deters

creditors and foreign investors and leaves private actors (such as mafias, terrorists, tax-evaders) unchecked, which in turn further weakens state authority. Moreover, the weakness of state authority makes arriving at effective regulation unlikely and arduous. It increases the problems of developing countries to face the 'opposing phalanx of rich, aid-giving industrialised countries who either stonewall their demands for more aid or for preferential trading arrangements, or fob them off with empty symbolic gestures' (Stopford & Strange, 1991: 52). The lack of economic and political credibility in many developing countries curtails their ability to propose, let alone impose, regulation and reform proposals. Moreover, it makes implementation of any international regulation that can be agreed upon increasingly difficult as governments lose their grip over the private sector that is often the object of these regulations (Strange, 1996: 190; 1998B: 141).

The picture that Strange paints of the state's role in development is discomfiting. She is both telling us that the state has a central (albeit changed) role to play in development and that it is decreasingly (albeit unequally) capable of filling this role. Discomfiting as it may be, this argument suggests a number of important questions. A first set concerns the extent to which the state in general, as well as the state in given developing countries, has actually become 'defective' and hollow. Strange insists that the loss of state control over social, economic and political life is very unequal; while some are increasingly akin to no-go grey-zones, others have lost control in the same way as developed countries have lost control. For any one country it matters what kind of loss of control one is talking about. It matters for what policies are realistically part of the options from which the state can choose and it matters for the prospects that any kind of policy will be effective.

Second, there is the issue of what happens to democratic politics in a world where private, often foreign, actors make a very significant share of the decisions and where the state makes it an absolute priority to cater for business needs (Held, 1991). Authors in international political economy (IPE) have argued that the result is likely to be a more authoritarian or restricted form of democracy (Evans, 1997; Gill, 1997). However, Strange partly dodges the issue. According to her, we feel uneasy about this for personal reasons. We share 'Pinocchio's problem' of what to do once the strings which provided certainties about our political identity and loyalties are cut and we have to decide for ourselves (1996). More fundamentally, we probably feel uneasy about this because it is uncertain how much it matters where our allegiance lies, whether democratic institutions can be established and sustained, and how influential democratic policies can be. The key question is whether or not democracy can survive the reshuffling of authority and identity tied to globalisation.¹¹

Conclusion

This review has argued, with Strange, that structural shifts have made international structures, the politics of finance, the privatisation of power and the problematic nature of state authority, an indispensable part of any serious analysis of developing countries today. The review has also underlined that

Strange's argument that overall trends matter for developing countries leaves us with important and interesting questions about precisely how they matter, why they matter so differently, and how their influence could be made more equitable. Strange herself could certainly have done more to provide answers. The issue of how international structures interact with national ones is prominent in much work on developing countries, ranging from that of liberal economists to the present day heirs of dependency scholars, passing by the work of constructivists. Similarly, there is extensive writing on why some institutions, countries and social groups are empowered and disempowered by international changes and why they are better at dealing with them. Finally, on the issue of reform prospects there is extensive work in 'liberal' and institutionalist approaches in international relations (the fundamental issue of when conflict is possible) as well as in economics.

So why does Strange not do more to provide answers and to link up with this work more extensively? A specific answer is that her contradictory convictions and interests often prevented her from doing so. Strange the Keynesian political economist believed that international economic regulation was absolutely necessary, yet was prevented by Strange the realist international relations scholar from seriously believing that such regulation was a possibility worth thinking about. 'Keynesian Strange' was convinced that (international and/or national) state regulation of the economy is a necessity. Yet 'British Strange' put her faith in civil society and private enterprise and looked at bureaucracies with distaste. Consequently, she oscillated between a plea for self-regulation and a plea for (top-down) structural reform. Finally, 'Strange the scholar', who fought for the establishment of *international* political economy found it hard to engage with the work in comparative sociology, or political economy which could have provided the details and nuances for her arguments.

More generally, there are obvious limits to the theoretical and empirical terrain that any researcher can cover and integrate. Strange's real contribution is an incisive empirical analysis, striking formulations and an open-ended, though coherent, approach which allows her to develop our understanding of general trends and our capacity to raise questions. Indeed, Strange's unrelenting, often sweeping, academic theory bashing is not to be taken at face value. She has both a critical and a constructive theoretical project. She spent much of her long academic life criticising the normative and practical implications of 'bad theory' (Guzzini *et al*, 1993). She even provides an 'anti-textbook' (1988) that spells out her approach.

This approach is applicable also to developing countries and many of Strange's arguments are about developing countries. The many open questions and overly general arguments should be considered as an invitation to further research. They should certainly not serve as an excuse for continuing to neglect Strange's work on developing countries.

Acknowledgment

I would like to thank the participants in the IRES departmental seminar at Central European University, Doro Bohle, Tom Lawton, Amy Verdun and especially Stefano Guzzini for their comments. Obviously they have no responsibility for the results.

Notes

- ¹ Stopford & Strange (1991).
- ² Palma (1978) sees this as the key point of dependency.
- ³ Strange cites an estimate by Michael Aglietta to the effect that 90% of the Mexican debt in the 1995 crisis was owed to non-official investors, including the holders of *tesobonos*, foreign fund managers and non-banks (1998c: 104).
- ⁴ Including the Brady plan of 1992 to allow the poorest debtors to reschedule their debts and the IMF/World Bank initiative of 1996 to write off part of the debt.
- ⁵ Strange is obviously not alone in emphasising the central role of finance in development. Classical economics underlines the importance of insufficient savings and therefore insufficient possibilities to invest. Historians (eg Braudel, 1979; Gerschenkron, 1966) point out the increasing importance of controlling and channelling finance in conditions of late development.
- ⁶ The bulk of literature on finance and development is focused on more narrow questions such as why countries liberalise when they do (see Haggard *et al*, 1993: 3, fn 2 for a list of exceptions).
- ⁷ The choice could have been different: Strange also writes about firms and business in specific sectors (shipping, insurance, telecoms for instance), about 'econocrats', and about accountants as significant private actors. Also, she refers to—but has not developed—the role of NGOs, the media and the international sports clubs in shaping international politics.
- ⁸ Strange quotes figures according to which the heroin market recorded a 20-fold increase and the cocaine market a 50-fold increase between the mid-1970s and mid-1990s (1998c: 128).
- ⁹ Stopford & Strange (1991).
- ¹⁰ In this she joins the many authors who write about the altered role of the state as a result of international shifts (eg Cerny, 1988; Dunning, 1991; Evans, 1995: ch 8).
- ¹¹ See Bauman *et al*, in a *Zeit* series (no 46–49, 1999) on the future of democracy.

References

- Amsden, Alice (1990) Third World industrialization: 'global fordism' or a new model?', *New Left Review*, 182, pp 5–31.
- Amsden, Alice H & Yoon-Dae Euh (1993) South Korea's financial reforms: good-bye financial repression (maybe, hello new institutional restraints), *World Development* 21, pp 379–390.
- Braudel, Fernand (1979) *Civilisation matérielle, Économie et Capitalisme XVIe–XVIIIe siècle* (Paris: Armand Colin).
- Cerny, Philip G (1988) *The Changing Architecture of Politics. Structure, Agency, and the Future of the State* (London: Sage).
- Dunning, John H (1991) Governments and multinational enterprises: from confrontation to co-operation? *Millennium: Journal of International Studies*, 20(2) pp 225–245.
- Evans, Peter (1995) *Embedded Autonomy: States and Industrial Transformation* (Princeton, NJ: Princeton University Press).
- Evans, Peter (ed) (1997) *State–Society Synergy: Government and Social Capital in Development* (Berkeley, CA: International and Area Studies Research Series No 94).
- Frieden, Jeffrey (1991) Invested interests: the politics of national economic policies in a world of global finance, *International Organization*, 45, pp 425–451.
- Gerschenkron, Alexander (1966) *Economic Backwardness in Historical Perspective. A Book of Essays* (Cambridge, Ma: Harvard University Press).
- Gill, Stephen (1997) An emu or an ostrich? EMU and neo-liberal economic integration: limits and alternatives. in *The Politics of Economic and Monetary Union*, Petri Minkkinen & Heikki Patomäki (eds). pp 205–228 (Helsinki: Finnish Institute of international Affairs).
- Guzzini, Stefano, Leander, Anna Lorentzen, Jochen & Morgan Roger (1993) New ideas for a Strange world: melanges pour Susan, in Morgan *et al* (eds), *New Diplomacy in the Post Cold War World*, pp 3–25 (London: Macmillan).
- Haggard, Stephan, Lee, Chung H & Maxfield, Sylvia (eds) (1993) *The Politics of Finance in Developing Countries* (Ithaca NY: Cornell University Press).
- Held, David (1991) Democracy the nation state, and the global system, in Held (ed), *Political Theory Today*, (Stanford CA: Stanford University Press).
- Hirst, Paul Q & Thompson Grahame (1996) *Globalization in Question: The International Economy and the Possibilities of Governance* (Cambridge: Polity Press).
- Mann, Michael (1997) Has globalization ended the rise and rise of the nation-state? *Review of International Political Economy*, 4, pp 472–496.
- Palan, Ronen (1998) Trying to have your cake and eating it: how and why the state system has created offshore, *International Studies Quarterly*, 42, pp 625–644.

- Stopford, John M & Strange, Susan (1991) *Rival States, Rival Firms, Competition for World Market Shares* (Cambridge: Cambridge University Press).
- Strange, Susan (1986) *Casino Capitalism* (Oxford: Basil Blackwell).
- Strange, Susan (1988) *States and Markets. An Introduction to International Political Economy* (Oxford: Basil Blackwell).
- Strange, Susan (1994) Wake up Krasner! The world has changed, *Review of International Political Economy*, 1, pp 209–219.
- Strange, Susan (1995) The defective state, *Daedalus*.
- Strange, Susan (1996) *The Retreat of the State: The Diffusion of Power in the World Economy* (Cambridge: Cambridge University Press).
- Strange, Susan (1998a) Globaloney? (Review essay), *Review of International Political Economy*, 5, pp 704–720.
- Strange, Susan (1998b) *Mad Money* (Manchester: Manchester University Press).
- Strange, Susan (1998c) The new world of debt, *New Left Review*, 230, pp 91–114.
- Strange, Susan (1998d) What theory? The theory in mad money, Centre for the Study of Globalization and Regionalism, working paper.
- Wade, Robert (1996) Globalization and its limits. Reports of the death of the national economy are greatly exaggerated, Suzanne Berger B Ronald Dore (eds) pp 60–89 in *National Diversity and Global Capitalism*, (Ithaca, NY: Cornell University Press).
- Wade, Robert & Veneroso, Frank (1998) The East Asian crash and the Wall Street–IMF complex, *New Left Review*, 228.