

THE GLOBALIZATION & GOVERNANCE PROJECT, HOKKAIDO UNIVERSITY
WORKING PAPER SERIES

Threats to the democracy of modern industrial states in
a globalising world

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- * Paper for the Symposium *Liberal Democracy in a Global & American Era*,
7 February 2004 .
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Threats to the democracy of modern industrial states in a globalising world.

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Definitions: democracy

I don't think I have been seriously engaged in discussions of the nature of democracy since the early 1950s, returning to Britain after eighteen months in Japan. Everyone wanted to know: can it really be true that the Americans have made Japan a democracy, or will it soon revert to its deep-rooted authoritarianism? I always used to give optimistic answers, starting with the popular basis of democracy in the Taisho period, but I recall reading all I could about the *hakai katsudo boshiho* enacted after the May day riots in 1953. Was it true, as the left alleged, that it was the beginning of the rebuilding of a police state? I concluded that it probably was not true; that there were, not just enough constitutional guarantees restraining the police, but, much more important, enough determined defenders of the basic freedoms of speech and association to prevent their abuse. The failure of the law to expand police powers in 1997 seemed to confirm that.

Since then I have had only a casual newspaper reader's interest in debates about the nature of Japanese democracy, particularly about the relative powers in constitutional theory and in actual practice of politicians and bureaucrats, and, of course, about the covert, as opposed to the reported, influence on policy of the third member of the iron triangle, big business. I have also harboured a mild sense of puzzlement about the questions which don't seem to get into the newspapers. For example, what justifies the apparent concentration of secret police surveillance activities on assumed extremists of the left rather than of the right? Or, how much is judicial independence compromised by the notorious difficulty in securing subsequent promotion of young judges whose judgements get them labelled as "red", or by the Supreme Court's consistent rejection of cases which raise the question whether the Japanese army exists in contravention of Article 9 of the Constitution.

However the subject of this symposium is not the quality of Japanese democracy, but democracy in general. I have used the phrase "threats to democracy". If I were being pedantically explicit I would say, "threats to those common aspects of the political structures of advanced industrial societies which I personally consider valuable", making clear the inevitability of contestable subjective valuations in any concept of "democracy".

This is not the place, and I do not have the expertise, for an essay in political philosophy, either an analytical discussion of the ideological differences between advocates of liberal and of social democracy, or some normative statement about the "essential" characteristics of democracy in general, but let me say a few words which will make clear my starting point.

1. If one divides political concepts according to their value overtones as hurrah words, boo words or value-neutral words, in American English, the dominant language of the emerging global culture, the word democracy is definitely a hurrah word. To call a country democratic is normally to praise it. As varying assessments in the American

press of countries like Venezuela or Algeria indicate, whether or not countries are spoken of as democratic, often depends on whether the speaker or his government has strategically or economically profitable relations with their rulers.

2. If one seeks to get beyond hurrah and boo, the key institutional arrangements one has to look at are: whether it is possible that the people who have power could lose it through elections without bloodshed, i.e., whether the elections are such as to give real chances of winning to those opposed to the incumbent government, and whether in between elections, elements opposing the government have their freedom of speech, publication and association and personal liberty guaranteed by an independent judiciary.

The concrete variation in constitutional forms of all the countries which have such institutions is very great. For all its use and abuse for persuasive purposes, there is no other convenient word to refer to the whole complex besides “democracy”

3. The relative importance of these elements is a matter of dispute. I believe that for the overall quality of life in a society, freedom of speech and publication is of more importance than elections. In China, currently, the spread of direct election of local mayors may be of less importance in moving towards a “good society” than the increasing boldness with which local newspapers denounce corrupt officials. And in importance as factors speeding the arrival of a full set of the institutions just listed, both are probably overshadowed by the speed of economic growth.

4. We have seen in the last couple of decades a number of countries newly acquiring such institutions – Spain, Portugal, Greece, South Korea, Taiwan. In all those cases I believe the acquisition marked a great improvement for almost everybody.

5. But these were “ripe for democracy” in the sense that (apart from being free of the ethnic rivalry problem which plagues synthetic states like Iraq) economic growth had given them a level of not too unequally distributed well-being, a diffusion of basic education and the establishment of a basic system of law and order sufficient to minimise the “rabble-rouser problem”. They also had an elite in whose culture a “public interest concern” was expected (with a conviction that varied from country to country) to moderate the pursuit of self-interest.

6. The “rabble-rouser problem” is real. It is not a “problem” but a solution (albeit temporary) in some cases such as the ousting of Marcos in the Philippines, and it may be rare (benevolence being such a scarce commodity) that “benevolent modernising autocracy” is preferable to the full set of democratic institutions. But I believe this was the case in Meiji Japan – the Hibiya riots of 1905 were a taste of what might have happened on a larger scale if the minken undo had gained control and introduced the full set of democratic institutions in the 1880s. It may also be the case in China today.

Definitions: Globalisations

The second term to define, I suppose, is “globalization”. In France and Italy “anti-global” is a term used to characterize a political position, typified by the French farmer Bove. But anti-globalization is, of course, a nonsense. Nothing short of a civilization-destroying nuclear winter will stop the multiply ramifying effects of the innovation process which makes transport and communications ever easier and cheaper, the process which began in earnest with the voyages of the fifteenth century. One simple measure of the level of globalization of the world or of a particular country – simple in conception that is, but next to impossible in application – is the proportion of the total interpersonal

or inter-organizational interactions of the world's or of a particular country's inhabitants which are cross-border. It is often quite useful to distinguish between *international* interactions, as in the WTO or the Olympics where the people concerned are representatives of their national states, and *transnational* interactions which involve members of civil society, from migrant workers remittances, stamp collectors' gatherings and paedophile networks to Medecins sans Frontieres. In both dimensions growth was accelerating in the period up to 1913, slowed in the interwar period, grew again within the Western world during the cold war, and has accelerated at a faster rate in the world as a whole with the telecommunications revolution since 1990, -- at such a fast rate that sometimes it seems as if social scientists can now talk of nothing else.

Threats to democracy in advanced industrial countries

So, threats to democracy and what globalisation might have to do with them?

I will discuss four:

1. Terrorism and civil liberties.
2. Technological development, the complexity of policy issues and media control..
3. .The increasing heterogeneity of populations and a decline in the sense of national membership.
4. The erosion of national state sovereignties and the diminishing scope and importance of national political decisions.

The first and most obviously immediate threat to democratic institutions in the rich countries is of course the threat to civil liberties resulting from the increased fear of terrorists and the methods used to combat them. I guess that this will be Prof Gerstle's main theme and I will content myself with two remarks on this score. First that European countries have less of a problem. obviously because we are not the prime targets of the chief organised terrorist group Al Quaeda, but also because we do not have a president who is helping to create a garrison state mentality as he seeks reelection on the basis of his leadership in a vaguely defined "war on terror". Also, few of us have government administrations quite as heavily staffed as the American one with people who enjoy a self-righteous sense of mission to save mankind from particular forms of wickedness – a mission which overrides all other considerations. Second, that Britain has had a similar debate about the trade-off between the acceptance of terrorist risk and the curtailment of civil liberties at the time of the IRA bombing campaigns. The resulting liberty-curtailling legislation, of limited scope and subject to annual parliamentary review, seems not to have had permanent effects on liberty-guaranteeing institutions.

That this has a lot to do with globalisation is clear. The obtrusive American presence in the Middle East brought about by its dependence on oil imports has produced the terrorists. The available technology, and American governments' willingness to give resources to develop it, have given it the capacity to deliver smart bombs to any corner of the globe, and hence the temptation to rely on coercion as the chief means of countering those terrorists..

Technology

All modern democracies are representative democracies. The paradox at the heart of democracy is that those representatives are supposed to embody the sentiments, prejudices and preferences of the common man, and also at the same time to think and feel on a more rational and noble and far-sighted plane than the common man ever does. And the best of them is supposed to be able to exercise “leadership” of a sort which enables them to take what Tony Blair is always calling “tough decisions” and persuade the common man to support him or her in doing so.

But, tough or not, decisions require mastery of relevant information. If one reads in Jenkins’ biography of Winston Churchill’s political activity in the early years of the last century, it is apparent that when he chose to make an issue such as protectionism or home rule for Ireland a centre of his political activity, he had no doubt that with a week or so’s work and the help of several assistants, he could make himself master of all the available relevant information. Even in matters of war strategy and weapons choice in the middle of the century, he had no difficulty in believing that he had as good an information base for taking decisions as the professional soldiers.

That has been steadily changed by the growth of scientific knowledge and the lengthy prolongation of the process of getting to the technology frontier – achieving the status of expert -- in any branch of science. Evaluating the risks of alternative types of nuclear energy, assessing different strategies of countering SARS, assessing the urgency of global warming, choosing among alternative proposals for financing a pensions scheme -- on all these issues there is no way for a politician to call for a few documents and make up his own mind. The classical ideal of the best to be hoped for is a three stage process:

1. Open debate among rival experts who come to different policy conclusions – on “hot” issues, public debate in the media, otherwise contrived debate through devices such as parliamentary inquiries, shingikai, commissioned research.
2. Evaluation of that debate, including assessment of the expertise, the personalities and possible ulterior motivations of rival experts, by generalist or partially specialised civil servants who have the high level of intelligence necessary to grasp some of the basic elements of the physical, financial or social technology involved, and are as far as possible isolated from materially interested parties.
3. Based on that “public interest” evaluation and the assessment of alternatives, final judgement, by equally intelligent politicians, which takes account also of the “who gains, who loses; what decision will win more votes” political implications.

Always and everywhere the actual process, as all the work on agency capture and policy communities suggests, is much more messy, and may reverse the order, starting with a decision based on political implications and subsequently seeking a technical case to justify it. Nevertheless I would hazard the judgement that the closer complex decision-making gets to that model, the more decisions are likely to be of the kind that a majority of experts deem rational, and the more speedily they are taken. There is less gridlock,

The United States telescopes the last two processes, or rather skips the second stage. The “hired brains” that do the evaluation -- or at least the ones that count -- are Congressional or White House staffs with acknowledged political commitments.

Italy, with only a weak cadre of independent policy evaluators, developed a style of coalition government in which the balancing of the competing claims of diverse parties took precedence over addressing real issues. It reached such a state of crisis in the 90s that its president had to appoint non-party governments to tackle outstanding problems, significantly known as *governni dei tecnici*, governments of technical experts.

Japan, by contrast with both the US and Italy, and like many European countries (including Britain, in this sense not to be lumped along with America into any “Anglo-Saxon” category) has a greater possibility of approaching the process ideal because it has the evaluation done by a permanent and independent civil service with a strong elite ethos based on its – generally assumed to be more or less genuine -- commitment to the public interest.

A crucial difference lies in the nature of the political class – whether or not they are generally thought to be, or are expected to be, the intellectual equals of the civil servants, and, (however their vote-getting concerns may dominate in their final decisions) to share to some degree a concern with the public interest issues.

The recruitment mechanisms of the bureaucracy and the political class are crucial in this respect. In Britain, which many have seen as a model, that intellectual equality was certainly expected and generally achieved. Only ministers could explain to parliament and the press the nature and rationale of political decisions, and intellectual failure to master their briefs could end political careers. In Japan the recruitment mechanisms – particularly the increasing incidence of hereditary succession among politicians -- produced a situation in which such substantive equality was lacking. In Japan, however, that came to be accepted as both inevitable and unimportant, in part because senior civil servants dealt directly with Parliament and the press. Ministerial appointment became more a matter of the dignified than of the effective part of the constitution, and rotating ministers let their policy decisions be ruled by bureaucrats, while the bureaucrats learned not to allow their contempt for most politicians to show, and to tailor their advice to some degree to the prejudices of the “permanent” ruling party.

This equilibrium was upset when that party ceased to be permanent in the political upheaval of 1993. Politicians broke the compact by joining in envious populist bureaucracy-bashing. The revival of “British paradigm” thinking with the electoral change designed to promote a two-party system, was also a factor in producing a change in parliamentary rules which meant that the government could only communicate with parliament through its ministers, not through civil servants. This seems already to have changed the selection process for ministerial positions. Opinions differ as to whether it will eventually lead to an improvement in the intellectual quality of Japanese politicians in general.

The national complexities of the political decision-making process may vary, but every nation, including those institutionally best able to stick to what I have called the ideal paradigm, face the problem that, as the decisions which cannot be left to the market become increasingly complex, there is ever greater possibility of a growing understanding gap (a) between experts and generalist evaluators, (b) between generalist evaluators and politicians, (c) between politicians who have actually troubled to make an “understanding-based” decision and their various “publics”.

Simultaneously, and again partly a consequence of technology change, there have been big changes in the media system by which politicians communicate with those various publics -- publics as diverse as the readers of the serious newspapers who try to understand issues, and those for whom politics is only one, usually rather inferior, kind of entertainment and only watch tv or read the tabloids which trivialize complex issues and slant them to their readers' supposed prejudices.

The essential thing for optimum adherence to the ideal paradigm is to maintain diversity – diversity in the general political prejudices and value systems of the people who control the media. This is threatened in many ways – in Italy by the machinations of a media mogul prime minister; in Britain by legislation influenced by the wishes of the owner of the tabloids whose readers the governing party sees as key swing voters; in the United States by the operation of the takeover market, sanctioned by politicians who depend on the campaign contributions and unpaid-for favourable publicity from media moguls. Japan is so far lucky in having a strong public tv network which is supposed to be impartial and its major newspapers largely owned by their employees and not vulnerably quoted on the stock exchange.

Already one may see as a symptom of this combination of problems --- growing complexity and increasingly entertainment-oriented trivialisation -- almost universally declining turn-out rates at elections. Can one call a democracy in which only 40% of voters vote a functioning democracy?

Finally, what has this to do with globalisation? Nothing much, except that some of the media empires are international and serve to extend the soft power of America deriving from its cultural hegemony. The problems come almost entirely from the accumulating sophistication of material and social technological knowledge, including the knowledge of side implications which prompts the need for regulation (think of the drug industry for example.) They are problems shared by all rich country governments. For any country take a look at the collections of new regulations published annually by their parliaments. For every volume of such regulations published in 1950, there will be three or four of similar size today --- even in the countries where doctrines of “small government” have held sway for 20 years!

Population heterogeneity and national identity

In 1992, over 62% of Italian voters turned out to vote in a referendum calling for a change in the electoral system --on a July Sunday after the leaders of the established parties (“spend your Sunday on the beach”) had advised them to abstain.

This commitment – this shared sense that Italy is their Italy and that it matters to them what happens to its institutions – is in danger of erosion through two mechanisms, both of which might be counted as part of globalisation, and both of which are common to all rich industrial countries..

First the increasing cosmopolitanism of the elite. The international business-man who spends as much time in New York as in Milan, the professor whose e-mail correspondence is with colleagues in his subject elsewhere (but predominantly in the world's academic hegemon, the United States), the actor who has a contract one month in Los Angeles and the next in Munich, the business-school guru who appears regularly in Davos and like his fellow Davosites considers himself a member of a global elite – for all such people a sense of commitment to their nation and its destiny is likely to be weakened. And if you define globalisation the way I suggested, this is what it is chiefly about and it is inevitably a progressive phenomenon.

Secondly, the international migration of labouring non-elites, whether quota-restricted and official, or clandestine and subsequently amnestied, makes it less and less possible for people to perceive the “nation” to which they belong as being made up entirely of people just like themselves, in language, culture and common sense.

This dilution of a satisfying sense of national identity can be exacerbated if social tensions between the newcomers and the host society arise – as they are likely to do if the newcomers are ghettoised, have some religious or other organisation to give them communal solidarity, and receive enough hostility to define themselves as adversaries rather than citizens of the host country. This the case in most Pakistani communities in Britain, for example. The consequence can be the emergence of racist right-wing movements whose sole animating spirit is an unhealthy xenophobic nationalism. When these movements become significant for the formation of governments, as in France, Italy and Austria, the chance of poisonous emotionality blotting out rationality in politics becomes much greater.

What I have called a sense of national identity, the sense of membership in the national community, can be almost exclusively inwardly focussed -- as in large continental countries like the United States or Russia. The nation is not primarily defined in terms of its difference from other nations. When instead, it is also externally focussed, national identity and nationalism become synonyms. It is necessary, though, to distinguish different types of nationalism. A useful rough distinction is between healthy confident nationalism, (sometimes called patriotism) and unhealthy defensive nationalism. The former can be defined as being based on (1) a belief in the value of one's cultural heritage which the world in general seems to share, (2) a general satisfaction with the position – the prestige pecking-order status position -- one's nation is afforded in international affairs, together with (3) a desire to improve that position by getting favourable notice – getting elected to the Security Council, winning the world football cup, making a contribution to peace-keeping operations with troops that win praise for their skills and dedication, etc. Unhealthy defensive nationalism, by contrast, is characterised by (1) a fear that objectively one's own culture may be judged as inferior to that of other nations, -- a fear that is usually suppressed in the resentful claim

that the world undervalues it, (2) a dissatisfaction with the position one perceives one's nation as being afforded in international affairs, and (3) a general resentment directed at those states and peoples which are seen as responsible for keeping one's nation in that disadvantaged position, often combined with (4) a belief that some sort of show of strength is necessary for achieving that respect. The nationalism both of Japanese like the Mayor of Tokyo and of those who have wrapped themselves in the American flag since September 11th, seems to me to be predominantly of the second type.

To return to the relation between population homogeneity, national identity and the healthiness or otherwise of nationalisms, it may be objected that the population of the most heterogeneous nation on earth, the United States, also has the strongest sense of national identity, expressed, for most of the twentieth century in a healthy form of nationalism.

That is true and it is a result of the deliberate "melting pot" strategy which predominated until the second world war. People came to America for life, to have children who would become Americans, and the state did all it could to make sure that the acculturation process worked as smoothly as it could. But subsequently, greater tolerance in general, a greater degree of good-will internationalism, and liberal guilt about the treatment of Japanese Americans during the war, combined to change that policy in mid-century. Multi-culturalism, respect for ethnicity, became the new dominant doctrine.

Born in America, the doctrine and practice spread to Europe. In the last few years, however, in Europe there has been a reaction. The British education system is moving explicitly away from the multi-culturalist and towards the assimilationist pole. The hottest political issue in France is the President's decision to reinforce France's traditional secularism – a key facet of its assimilationist policy towards immigrants -- by banning any symbolic assertion of religious identity in schools – notably the wearing of head-scarves by Muslim women.

I believe he is right. Democracies need some sort of shared national identity, some common core of cultural homogeneity, to function well. It is a pity that in both Britain and France the protests against measures to encourage acculturation come mainly from Muslims, and that since September 11th they can claim a sympathetic hearing for charges that such measures spring from anti-Islamic hostility – with perhaps more justification than Israel has when it claims that all criticism of its policies is simple anti-Semitism.

One final remark: the effect of a diluted national identity can be greatest on areas of policy -- pensions policy for example – which involve some sort of risk-sharing, or redistribution. "Why should we Ruritians pay so that those lazy, feckless xys who are not even proper Ruritians can lounge around all day doing nothing?" Hence identity-dilution is more of a threat to social democrats who see great value in social welfare systems than to liberal democrats who never have been certain whether or not it is the business of the state to get involved in such matters.

Sovereignty and the defence of national cultures

The last threat is certainly a consequence of globalisation. The integration of world markets through freer trade, plus the emergence of institutions like the IMF, the WTO, the Bank of International Settlements, etc. designed to build a body of regulation to reduce the dangers arising from free competition, has the consequence that the range of economic policy choices available to national governments is limited.

It has long been acknowledged that this is the case for day-to-day macroeconomic policy. A famous theorem posits that once it moves to floating exchanges and free movement of capital, a country may be able to control two of the triad of interest rates, exchange rates and inflation rates, but not all three.

But a much more serious limitation is on a nation's ability to choose its own basic economic institutions, with all their implications for the distribution of income and power, the balance between competition and cooperation, the quality of employment relations, and so on. Recent debates about corporate governance and labour law are permeated by such concerns in Japan and elsewhere.

The "threat to democracy" is that people will reason as follows. If all the world is being forced into an identical form of capitalism, what is the point of allegiance to any particular country? If my state simply cannot choose to preserve those characteristics which form its special identity and which I value, why should I feel any duty to participate in political processes which simply legitimate inevitabilities?

So where are those limitations on institutional choice supposed to come from? A prime example is the argument that with free flow of capital – i.e., a single global capital market – any nation whose firms fail to achieve the rates of return common in the dominant economic power, the United States, (whose institutions greatly favour the owners of capital at the expense of the rights and incomes of employees), will end up being starved of capital. It will all drain away abroad. Therefore, it is argued, and was argued forcefully in Japan in the 1990s, corporate governance systems and employment law need to be changed in order to make Japanese firms look more attractive to international investors, (a) by giving shareholders greater coercive power over managers and thereby increasing their returns at the expense of the security or rewards of employees, and (b) as a means of ensuring investors that their investments are protected from fraud, replacing the existing system of honesty guarantee (a pervasive sense of trust and networks of interfirm interdependency) with an American style system which assumes the inevitability of opportunistic dishonesty and relies on external monitoring to stop it.

The second argument is about product rather than capital markets. Competition is getting fiercer by the day as the internet makes price comparison ever easier and cheaper. Only managers under severe pressure from shareholders, directly and through stock markets, can ever be efficient enough to survive.

Hence the constantly parroted call for conformity to “global standards”.

I see little merit in such arguments, either a priori or empirically. As for the efficiency argument, a priori I see no reason why an efficiency drive based on fear of what shareholders will think and do should be better than one based on the determination to survive, or to excel, of a collectivity of employees who have staked their career futures on the firm. And empirically I see no grounds for believing that in value-added-per-employee terms, shareholder-driven firms are more efficient than employee-dominated firms.

As for capital, capital markets are not all that fluidly global to start with. People are misled by the frothy flux of liquid speculative capital moving daily across the exchange rates, and often seeking only temporary refuge in secondary markets for equities or bonds. But the bulk of the world’s stock of capital is more stable and most of it is invested at home. Sony may be happy that half its shares are owned by foreigners (except when they suddenly desert and send its share-price skittering downwards), but its cost of capital is not notably lower than that of companies in which foreign investors have shown no interest.

Coercive conformity to American standards is certainly enforced in some respects by regulations imposed on those foreign firms which want to be quoted on the American stock exchange. And elements of American-style accounting systems are being enforced by national legislation with substantive implications for control and distribution. Pension systems in both Japan and Germany – systems which have considerable implications for company-specific employee loyalties – have been willy-nilly changed by new accounting systems which require a full accounting for pension liabilities

But these elements of clearly coerced change are limited and certainly not enough to explain the changes which have taken place in Germany and Japan over the last decade, nearly all tending to make their corporate governance institutions more similar to those of the United States.

These changes, I would argue, are to be explained more by America’s cultural than by its economic power. The mechanisms involved are complex, but similar world-wide, whether in Japan, or Germany or France. Their effect may be more marked in Japan, however and I will illustrate primarily from the Japanese case. A full account would take one to analysing such diplomatic battles as the Structural Impediments Initiative, but I will summarise the chief mechanisms.

1. Overwhelmingly important is the still-growing flow of MBAs and PhDs returning from business schools and economics graduate schools in the United States to dominate the economics departments of universities, the junior ranks of the bureaucracy, government committees and the media. Thanks to the affinity between the universal dominance of neo-classical economics and American capitalist institutions, the majority bring an ideological conviction about the superiority of the American way of doing things which shifts the centre-of-gravity opinion at home.

2. The attention accorded to the opinions of Americans in Japan, both visiting dignitaries and residents such as the American Chamber of Commerce and the

economist gurus of American investment banks. These opinions are often delivered with unshakeable confidence in the assumption that American ways are best, the confidence being reinforced by the deference with which the opinions are generally received.

3. The pressure to conform exerted on Japanese delegates in international economic organisations where the dominant assumptions of staff and other delegates again assume the superiority of American institutions.

4. In contrast to these slow-effect long-term structural forces, a fourth and varying factor is the general prestige accorded to things American. The variation depends on the most recent news, primarily economic news, but also news of American success or failure in military or diplomatic matters. How powerful this factor is can be seen in the marked diminution in talk about the need to conform to “global standards” when the great American hi-tech boom story gave way to the Enron scandal story.

To sum up, this threat of growing powerlessness can be vastly exaggerated.. Nations can preserve the economic institutions they prefer in spite of pressures from global markets. The question is whether they can summon the political will to do so, or whether in a world of American cultural hegemony, their ideological disarmament is inevitable.

Summary

I have confined discussion to rich industrial countries. The “threats to democracy” vary greatly. The erosion of civil liberties is serious but chiefly in the United States. Increasing complexity and media trivialisation, are universal and progressive phenomena: there is no answer but the efforts of those who believe in some form of rationality and honesty to be vigilant in their defence. Also universal, but varying in impact (much greater for European countries than for Japan) is identity-dilution, to be combated by cultivating a mild and one hopes healthy nationalism. A bit of nationalism would also help to combat the forces making for global ideological homogenisation, and so protect the power of states to preserve distinct national institutions.