NEW GLOCAL FORMS OF FINANCIAL PARTICIPATION AND REVENUE MOBILIZATION

EDITORIAL

CARLO GARBARINO
Bocconi University (Italy)
New York University School of Law (USA)
carlo.garbarino@unibocconi.it

Abstract: The state-centric international tax system is currently under the threat of a type of "race" for the lowest tax rates. In this case, the "race" consists of a global fiscal trilemma where democracy, states and globalization cannot coexist. This is truly an impasse which requires a broader perspective through the development of glocal polities defined as any group of people who have a collective identity and who are organized by some form of instituzionalized social realations. In addition, this group has developed a specific capacity to mobilize resources combining global and local dimensions. The scope of glocal polities is mainly outside and beyond ordinary economic activities carried out under the state actors' rules of fiscal and monetary sovereignty and the ability of glocal polities to mobilize non-monetary resources, in opposition to states whose monetary revenues work through the monopoly of force. The financial structure of glocal polities relies on networks of non-state actors possessing a polycentric architecture through which resources are mobilized, enabling glocal polities to develop and promote political goals while also becoming a potential avenue for the development of a commonwealth of civilizations and cultures.

Keywords: global tax governance, resource mobilization, commons, polycentric systems, glocal polities.

INTRODUCTION

The topic of this issue of "Glocalism" is new glocal forms of financial participation and revenue mobilization. This is clearly an innovative topic emerging from the backdrop of the state-centric tax system that is now under the threat of a "race" for the lowest tax rates – a critical aspect of financial globalization and

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certainly a major hurdle to ensuring coordination and cooperation. Therefore, the goal of this introduction is to set the stage for a future discussion about the financial aspects of glocal developments. I start by showcasing an adaptation to the fiscal world of the famous Rodrik trilemma about globalization. Under this "global fiscal trilemma" democracy, states and globalization cannot coexist. This is truly an impasse that requires a broader perspective and in this paper I discuss how we can go beyond this fiscal trilemma through the development of "glocal polities".

This is a new concept that adds an institutional layer to the discussion of hybrid communities and cultures that we have been developing in the pages of "Glocalism". I provide a very broad and provisional definition of "glocal polity" as any group of people who have a collective identity, who are organized by some form of institutionalized social relations and who have developed a specific capacity to mobilize resources which combine global and local dimensions. This discussion builds on the debate that has been developed by both "Glocalism" and the Association Globus et Locus concerning the institutional and political implications of mobile hybrid cultures and communities while also adding a new dimension: the question of the legitimacy of the glocal polities that are not simply private actors but fledgling political institutions in search of effective ways of mobilizing resources. The aspect of resource mobilization is particularly highlighted in this issue of "Glocalism" in Jeff Hyman's (2021) contribution which discusses new glocal forms of financial participation.

I will demonstrate how the scope of activities of glocal polities is mainly outside and beyond ordinary economic activities carried out under the rules of the fiscal and monetary sovereignty of state actors, and how glocal polities mobilize non-monetary resources in opposition to states who collect monetary revenues through the monopoly of force. In this respect, the contributions by Olga Zakharova et al. (2021) about green crowdfunding and the critical analysis by Fiammetta Corradi and Lorenzo Pagliaro (2021) of Bitcoin, reveal the importance of innovative forms of resource mobilization that may occur within glocal contexts.

I will then conclude this broad introduction to the new issue of glocal resource mobilization by discussing the main features of what may be called the financial structure of glocal polities, showing how they basically amount to networks of non-state actors possessing a polycentric architecture. Specifically, I will highlight how resources may be mobilized within these networks in such a way that enables glocal polities to develop and promote political goals and become a potential avenue for the development of a commonwealth of civilizations and cultures.

THE CRISIS OF THE TAX STATE-CENTRIC SYSTEM AND THE RACE TO THE BOTTOM OF TAX RATES

The current situation of international fiscal relations in an increasingly integrated world is puzzling. States protect their Westphalian tax sovereignty, i.e., their territorial monopoly of state power exerted through internal control of citizens as well as external control on other states, preventing them from intruding on domestic tax matters. This situation leads to a sort of anarchic system, where states compete on the basis of their national interests, a situation depicted by the so-called "realist approach" (Waltz 2010) to international relations where only minimal forms of cooperation are in place (Dagan 2017).

A new major issue has emerged within this scenario, disrupting stability: countries unilaterally reduce their effective tax rates to attract capital, thereby affecting the mobile capital base. When this occurs, there is "tax competition", one of the structural causes of conflict. The hallmark result of the traditional approach to tax competition is that capital mobility generally leads to a more efficient allocation of productive resources. But tax competition confronts us with seminal questions: why do we witness conflict rather than coordination? Who benefits from tax competition? Why does rate reduction appear to become the imperative for survival but does not ameliorate the conditions of communities? Why does capital globalize corporations but not states and citizens?

Recent research has challenged the assumption that capital mobility always leads to an efficient allocation of resources

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simply because tax competition resulting from capital mobility does not operate indiscriminately but creates "winners" and "losers". This is a complex analysis in political economy. At a glance, the winners from tax competition are small states and their citizens (Palan 2002), while the losers are large countries and their citizens (in particular less developed countries) where they are more likely to be governed by autocracies. Large democratic countries pressed by tax competition manage to maintain welfare states through debt and taxes on labour and consumption. They stabilize their corporate tax revenues at the cost of negative impacts on their citizens. By contrast, there is evidence that in developing countries corporate tax rates as well revenues have decreased (differently from developed countries). In this case, both governments and citizens tend to lose.

In addition to creating winners and losers, tax competition has systemic impacts across-the-board. First, there are distributive domestic consequences because progressive taxation is hindered when governments broaden the base and reduce the rates to prevent revenue losses that are triggered by other states undercutting their rates. Second, the tax burden is shifted from mobile to immobile economic factors because territorial enforcement of taxes on revenues from immobile factors is easier. Likewise, the tax burden on labour increases while that on capital decreases because territorial enforcement of taxes on labour is easier (Schwarz 2007). Third, consumption taxes on a destination-country basis are introduced having a regressive effect on low-income local consumers. Finally, tax competition has obvious consequences on international inequality: reduction of tax rates is correlated to the increase in inequality of income and wealth because capital is not taxed[1].

Moreover, tax competition has idiosyncratic local impacts even despite the fact of being a thoroughly global phenomenon (full mobility of capital across the globe) (Eriksen 2016). First, tax competition challenges national self-determination entitlements: essentially, the public choices of governments concerning revenues, expenditures and redistribution. Second, local responses to tax competition often generate unintended side effects in the socio-economic order. Third, rate reduction becomes the imperative for survival, while in effect it disrupts

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communities, and may not be sustainable. Finally, revenue reductions imposed by tax competition diminish the opportunity for social change and increase economic inequality, causing the atrophy of social mobility at the state level.

In conclusion, the impacts of tax competition are glocal because there is a feedback loop between the global cause (capital mobility) and the local effects. These glocal impacts are not captured by the traditional view based on capital neutrality and require an explicative framework that focuses on the players of a competitive tax environment. The negative effects of tax competition are indeed compounded by aggressive tax strategies deployed by multinationals. By shifting profits to low tax jurisdictions, multinationals operate in a type of "meta-nation" ideally located in between the home state and the host state, not defined by traditional state boundaries. Profits may even escape all forms of taxation through base erosion and profit shifting, through strategic double exemption, or a combination thereof.

This situation of "stateless income" (Kleinbard 2011) challenges the foundation of the taxing powers of states under the brunt of the "race" for the lowest tax rates and engenders a regulatory-tax arbitrage in which multinationals are confronted by the limited reach of territorial states. This is a new brand of geopolitical architecture where states and private actors such as multinationals access, manage and regulate the intersection of territory and flows of capital. In doing so, they design new imaginary gateways for mobile capital which segregate profits in jurisdictions offering lower rates under the constraint of tax competition.

The existing international regime does not have the capability to regulate tax competition and aggressive tax strategies. Therefore, unprecedented tax governance solutions should be devised using multilateral cooperation. These solutions should focus on an evident political dimension of the problem: untrammelled pervasive tax competition combined with aggressive tax strategies, in many cases, impede the full internal exercise of tax sovereignty by states, thus limiting their "fiscal autonomy prerogatives", i.e. the basic state's choices regarding *a*) the level of revenues and expenditures relative to the GDP, and *b*) the level

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of redistribution. When fiscal autonomy prerogatives are influenced – or even constrained – by external competitive pressures and aggressive tax strategies, the impacted states formally retain their *de jure* tax sovereignty but give up their *de facto* sovereignty.

THE GLOBAL FISCAL TRILEMMA: DEMOCRACY, STATES AND GLOBALIZATION

Tax competition and profit shifting challenge the current system based on the Westphalian tax sovereignty which revolves around the concept of state. Hard choices therefore need to be made by the international community to preserve certain basic prerogatives of state and democracy. This policy inquiry regarding hard choices is discussed here through a strategy that contextualizes current fiscal issues within the Rodrik political trilemma of the world economy (Rodrik 2011) which I call the "global fiscal trilemma".

In the Rodrik trilemma, there are three options: hyper-globalization, democracy, or national self-determination (the state), but only two of them are possible at the same time (Rodrik 2011: 180-184). Rodrik has notoriously advanced this trilemma as follows: "we cannot have hyper-globalization, democracy, and national self-determination all at once. We can have at most two out of three. If we want hyper-globalization and democracy, we need to give up on the nation state. If we must keep the nation state and want hyper-globalization too, then we must forget about democracy. And if we want to combine democracy with the nation state, then it is bye-bye deep globalization" (Rodrik 2011: 180).

If one applies the Rodrik trilemma to the current tax framework there are three options (taxing states, democracy as political control on the tax function and perfect capital mobility as the driver of global profits), but only two of them are possible at the same time. There are, however, obvious tensions between these three options which can be expressed as a trilemma: we cannot have perfect capital mobility, democracy, and states all at once, but we can have at most two out of three. This gives us

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essentially a menu of options for addressing the problems created by tax competition and perfect capital mobility. This is depicted as the global fiscal trilemma as follows: 1) the "global tax governance" option: we can have perfect capital mobility and democracy but not states; 2) the "global constraints" option: we can have perfect capital mobility and states but not democracy; 3) the "multilateral cooperation" option: we can have democracy and states but not perfect capital mobility.

In the logic of the Rodrik trilemma, the basic question is: which of the three options will better preserve tax sustainability? In this light, let us examine in more detail each of the three options of the global fiscal trilemma.

The "global tax governance" option: perfect capital mobility and democracy but not states

It is possible to maintain both democracy (as political control on the tax function) and perfect capital mobility through the "global tax governance" option. Robust global tax institutions would essentially absorb significant portions of national tax sovereignty and remove the transaction costs associated with national borders. If not forms of global tax federalism, one can envisage alternative forms of global tax governance endowed with mechanisms of accountability and representation. A major move in the direction of global governance, in whatever form, would necessarily entail a significant pooling of national sovereignty for the common good[2]. National governments would not disappear, but their powers would be severely circumscribed by supranational rulemaking and enforcing bodies empowered (and constrained) by democratic legitimacy.

In the future, a potential development of the European Union towards a deeper political and tax compact, to the extent that actual pooling of national sovereignty would be achieved under this new constitutional arrangement, might somehow be a regional example of a form of common tax governance. Scepticism about the feasibility of the global tax governance option is generally based on the lack of legitimacy of the super-national

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institutions and emphasizes the problematic hurdles to a far-reaching multilateral approach.

The "global constraints" option: perfect capital mobility and states but not democracy

In a hypothetical situation of a fully globalized world in which all transaction costs have been eliminated and national borders do not interfere with full perfect capital mobility, states could only survive if they focused exclusively on becoming attractive to mobile capital, so that domestic tax policies would be aligned with a tax rate race to the bottom and the preservation of the territorial system of taxation of corporations based on exemption of foreign profits. The only services provided by states would be those that reinforce the functioning of perfect tax mobility, a situation that is currently found in low-tax jurisdictions and offshore financial centres. In this scenario, taxing state would become non-taxing states and democracy as political control on the tax function would be practically lost.

Once the rules of the game are dictated by the requirements of full tax competition, domestic groups lose access to, and their control over, national tax policy. This is the distinguishing feature of the "global constraints" option, a situation defined in general terms, for example, by Friedman as the "Golden Straitjacket"[3]. You can have perfect capital mobility and states too, but only with limitations to democracy, or if you manage a form of democracy suitable to untrammelled competition where you can essentially preserve a system that increases inequalities and favours certain countries and multinationals. This amounts to saying that only certain well-organized pseudo-democracies (or small democracies organized to protect the insiders) can survive as states in a world of full capital mobility.

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Multilateral tax cooperation: Democracy and states but not perfect capital mobility

The last option of the global fiscal trilemma sacrifices full perfect capital mobility and envisages some form of multilateral cooperation in regulating it, essentially allowing forms of capital mobility that do not intrude on the fiscal autonomy prerogatives of democratic states. In this view, states would retain their centrality and democracy would continue to pursue its control on tax function at the state level. To preserve tax sustainability, we should accept that states uphold national standards in these areas and can do so by limiting (through multilateral action) perfect capital mobility that demonstrably threatens domestic practices developed through democratic methods.

There are some principal reasons for fostering initial attempts to regulate perfect capital mobility multilaterally. First, the markets must be embedded in systems of governance because they require institutions to support them in fixing imbalances such as those created by perfect capital mobility. Markets depend on macroeconomic stabilizing functions such as lenders-of-last-resort and counter-cyclical fiscal policy and specifically need redistributive taxation ensured by states and democracy. Second, until adequate systems of global governance are in place, democracy as political control on the tax function continues to be organized largely within states which therefore need to cooperate. Third, countries have the right to protect the social arrangements, regulations and institutions that are mainly ensured through fiscal policies. They pursue multilateral cooperation for this reason.

To wrap up the fiscal trilemma: unless we want to fall prey to pseudo-democracies colluding with multinationals (global constraints option), and until we can develop a full-fledged global tax governance (global tax governance option), to preserve tax sustainability (i.e. states and democracy as political control on the tax function) we must begin to regulate perfect capital mobility and reform the institutional tax system through some form of multilateral cooperation (multilateral cooperation option). There are, however, two main problems in using this option. First, it is assumed that the that financial globalization

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will be limited and/or regulated – something that is not on the horizon yet. Second, global tax governance does not appeal to most states, at least for the foreseeable future. Thus, the conclusion of the discussion of the fiscal trilemma is that we probably need additional options to preserve tax sustainability.

BEYOND THE FISCAL TRILEMMA: GLOCAL POLITIES AND RESOURCE MOBILIZATION

The path to tax sustainability which preserves states and democracy as political control on the tax function but regulates capital mobility through multilateral cooperation, obviously engages traditional inter-state negotiations and develops within a state-centric environment. If we need additional options to preserve tax sustainability, also non-state actors can develop an alternative path to resource mobilization within a context of a "glocal polities".

A glocal polity can be defined as any group of people who have a collective identity, who are organized by some form of institutionalized social relations, and who, in addition, have developed a specific capacity to mobilize resources that combine the global and local dimensions. A glocal polity is more institutionalized than a loose informal glocal community because it includes an additional resource mobilization dimension. A glocal polity is two-dimensional: *a*) it is a polity because it acquires legitimacy from the fact of being a form of institutionalized social relations that develops a specific capacity to mobilize resources; and *b*) it is glocal because there is a complex interplay between the institution beyond borders ("globus") and its individual members, stakeholders and counterparts who are necessarily placed in a local dimensions, possibly within the borders of a sovereign state ("locus").

The concept of glocal polities endowed with a resource mobilization feature can be captured by looking at the transformation of the "nation-state" into the "sovereign state", with the attendant cultural modifications of communities living within and across states. In the sovereign state, a distinction is made which was not present in the nation-states of the last century.

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This distinction is between nationality (in the sense of cultural identity) and citizenship (defining the general legal status of a person on the territory of a given state). With regards to the immigrant population, this also requires a distinction between assimilation (to the prevalent culture) and integration (into the state system, as a citizen). This implies a new understanding of "community" at different levels of identification. A person may be member of a cultural group which, in turn, is constituent part of the state community of citizens.

The "disentanglement" of nation and state implies that distinct cultural identities realize themselves in an "open space" within and beyond the confines of the traditional nation-state both at the domestic level in terms of different cultural communities and at the global level, in terms of intra-state communities being interlinked, so that these cultural identities become constituent parts of different glocal polities, entering into interdependent relationships based on mutual recognition. In these glocal polities, each community defines its value system as well as its own resource mobilization, and ultimately, becomes more aware of itself.

Within these glocal polities, a dynamic constellation of interactions between virtual communities has unfolded. As Kochler noted, "this also has led to new forms of "hybrid" civilizations. […] This 'commonwealth' *is* juxtaposed to a multitude of sovereign states as legal-political actors" (Köchler 2020). If that is true, then there is a legitimacy issue for these glocal polities: the legitimacy of states revolves around sovereignty, but the legitimacy of these glocal polities cannot be entirely drawn from the culture and history of the respective nation-states and obviously cannot be connected to state sovereignty because these communities are characterised by a high level of hybridity.

Within the state system, the legitimacy of sovereign states enables them to enforce tax claims within the territory. A research question about resource mobilization for glocal polities can therefore be posed: can glocal polities enforce their own financial claims on the basis of a legitimacy similar to that of states, or can they rely on a different kind of legitimacy?

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The discourse on legitimacy is directly connected to the discourse of resources. As sovereign states are juxtaposed to glocal polities in their capacity as non-states actors, it is worth distinguishing how states as opposed to glocal polities can and do mobilize resources. This distinction then points to the different scope of activities of glocal polities with respect to states.

Let's start from state actors. States exert Westphalian tax sovereignty, i.e. a territorial monopoly of the state power collecting taxes from citizens-taxpayers, as well as an external control on other states, preventing them from intruding into these domestic tax matters. In most countries, citizens and businesses are subject to a large number of taxes, among which states rely primarily on: individual income tax, corporate income tax, and the value-added tax (VAT). The coexistence of these three types of taxes can be explained by the fact that each tax is best suited to one of the three goals of taxation: revenue collection, redistribution, and regulation.

The first goal of taxation is obviously to collect revenues because taxes are one of the the primary means by which governments regulate the economy. The second goal of taxation is redistribution of wealth and opportunities among members which is mainly achieved through the progressive rates of individual income taxes. The VAT can raise revenues to finance redistributive programs but can have regressive effects as the poor consume a higher proportion of their income than the rich. The third goal of taxation is regulation which occurs when governments aim to change the behavior of actors in the private sector by incentivizing or disincentivizing activities through tax provisions. The regulatory function of taxation relates primarily on taxes on negative externalities a such as carbon taxes or on investment/saving decisions. Most countries, for instance, encourage individuals to invest in housing or education as well as to save for retirement through specific deductions from the individual income tax. They also encourage corporate investments such as expenses in R&D (through tax credits) or the purchase of certain assets (through accelerated or increased tax depreciation).

At a deeper level, states enjoy monetary sovereignty. National currency is often referred to as a sovereign currency, that

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is, the currency issued by a sovereign government which retains the power to determine which money of account it will recognize for official accounts and the power to issue currency denominated in each nation's money of account. Sovereign governments impose tax liabilities (as well as fines and fees) in its money of account and decide that only the sovereign currency will be accepted in payment so that taxpayers can fulfil their obligations. These sovereign currencies are often called "fiat currencies" because there is no promise made by government to redeem them for precious metal. In addition to this, legal tender laws are neither necessary nor sufficient to ensure acceptance of a currency, and the government's 'promise to pay' really amounts to nothing, so a government's currency is accepted fundamentally because taxes drive the demand for money (William, Wray, Watts 2019).

One of the most important powers claimed by a sovereign government is the authority to levy and collect taxes (and other payments made to government, including fees and fines). The government's currency is the main (and usually the only) thing accepted by government in payment of taxes and other obligations to the government. Tax sovereignty and monetary sovereignty are strictly interconnected. The government cannot easily force others to use its currency in private payments, but governments can force the use of its currency to meet the tax obligations that it imposes. For this reason, neither reserves of precious metals nor legal tender laws are necessary to ensure acceptance of the government's currency. All that is required is the imposition of a tax liability to be paid in the government's currency.

We can conclude that at the level of state actors, taxes drive money. The government first creates a money of account, and then imposes tax obligations in that national money of account. In all modern states, this is sufficient to ensure that most debts, assets, and prices will also be denominated in the national money of account. The government is then able to issue a currency that is also denominated in the same money of account, so long as it accepts that currency in tax payment. When we talk about the government 'issuing' currency, the most usual way in

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which this occurs is through government spending, but the government can also make loans.

Let's now discuss how non-state actors within glocal polities can and do mobilize resources. In that respect, non-states actors are structurally different from sovereign states, along two dimensions. First, the model of the three goals of taxation (revenue collection, redistribution, and regulation) clearly does not apply to non-states actors when they need to mobilize resources because there are not entitled to Westphalian tax sovereignty. Second, non-states actors do not enjoy monetary sovereignty and therefore they cannot use a currency to force individuals to meet the tax obligations by using that currency[4].

The scope of action of non-states actors and their ways to secure resource mobilization are therefore mainly outside and beyond ordinary economic activities governed under the rules of fiscal and monetary sovereignty of state actors. Is this action and resource mobilization of non-states actors illegal or illegitimate? No, it is simply beyond the confines of state sovereignty and involves glocal polities, i.e. groups of people who have a collective identity, who are organized by some form of institutionalized social relations, and have a capacity to mobilize resources which combine the global and local dimensions. The activities of glocal polities are of course subject to applicable laws and regulations according to ordinary criteria.

If we are to enact these new glocal polities and conceive of common resources, we must reason in terms of non-monetary resources, i.e., benefits that are internalized within glocal polities and a system of sharing which does not imply the material collection of amounts of money backed by sovereign states. Certainly, glocal polities can also rely on the existing market institutions and develop forms of monetary revenue-raising based on innovative forms of voluntary contributions that go beyond states and their territorial enforcement capabilities. Voluntary contributions obviously are antithetical to taxes which are imposed by states. Among those voluntary contributions, one might think of collections of funds through the internet, crowdfunding through social networks, value-based political campaigns, and donations.

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Voluntary contributions, however, can play only a marginal role because the core of resource mobilization of glocal polities regards non-monetary resource. A serious discussion about resource mobilization by glocal polities, therefore, requires that we need to imagine glocal polities created in specific geographical contexts and in historically path-dependent ways coexisting with state actors and operating beyond the imaginary boundaries of states.

We can construct a language of the diverse glocal polities in which the institutional landscape revolves around: types of nonmarket transactions, new forms of labor, and alternative ways of producing, appropriating, and distributing value which run parallel to those of the state-centric system. By distinguishing all these different ways in which social wealth is generated and deployed, we can represent activities and resource mobilization by glocal polities as something more extensive and less geographically bound than the usual state-centric activities (Gibson-Graham 2006).

The transactions that occur in glocal polities are nonmarket transactions or transactions that are alternative to market transactions. The most prevalent form of exchange is the variety of nonmarket transactions. Firstly, ideas, cultures, identities are freely exchanged, particularly in a digitized world. In addition, goods and services are produced and shared or exchanged outside standardized market exchanges, the environment provides goods that are taken as well as stewarded, people and organizations give away goods and services free of charge to recipients. In these transactions, there are no rules of commensurability and there may be no formal calculation of how much is shared, taken, given away, stolen, or allocated, but cultural rules and norms are reflected in how these transactions are conducted.

Within glocal polities there are also alternative market transactions in which goods and services are effectively exchanged but commensurability is socially negotiated and agreed upon without referring to market prices. These transactions include the vast number of transactions that take place in the informal markets in which goods and services are traded according to local or ad hoc agreements; the exchange of commodities between and within worker cooperatives where prices are set to

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enhance the sustainability of the cooperative; the ethical or "fair" trade of products where producers and consumers agree on price levels that will sustain certain livelihood practices; local trading systems and alternative currencies that foster local interdependency and sustainability.

Labor also occurs in glocal polities to support material well-being and is performed in many different contexts and compensated in non-wage forms. Worker cooperatives employ a labor force that is paid a living wage set at an amount decided by the cooperators. In addition, workers may receive capital payments that accrue based on their ownership stake in the enterprise. Many other people work in return for payments in kind (sometimes mixed with monetary payments). The existence of different kinds of labor and compensation within glocal polities expands access to identities that fall outside the limited scope of identities valorized in the market system regulated by state institutions.

Finally, diverse glocal polities are made up of many kinds of enterprises in which different production units generate and deploy wealth. There are forms coexisting with business activity regulated by state-market systems where the surplus of producers is distributed to nonproducers. For example, producers can control their own rate of surplus production and appropriation and are the ones who decide how distributions outside of surplus should be allocated. What distinguishes these firms operating within glocal polities is a commitment to ethical practices in addition to profit-making. "Socially responsible" businesses might commit to increasing workers' ownership of the firm or distribute appropriated surplus to social and community projects (for example, scholarships for local youth or provision of community infrastructure or services).

NETWORKS OF NON-STATE ACTORS AND A POLYCENTRIC FINANCIAL ARCHITECTURE

In glocal polities, it is the capacity to produce social and cultural value in a variety of forms that is of interest, because this value can be used to replenish and expand the commons

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and the productive base that is developed within and across glocal polities. Glocal polities essentially make and share commons. The so-called "tragedy of the commons" which refers to the destruction of a resource through unlimited use by individuals, therefore, is the failure of its members to treat one another as communicants and its transformation to a competitive situation. Creating and maintaining a commons is by definition an ethical practice of being-in-common, one that informs material practices and social boundaries of glocal polities.

In the previous section, I have shown that glocal polities mobilize resources differently from states because the scope of their activities is inherently different from the scope of activities governed by the regulatory reach of states explicated through fiscal and monetary sovereignty. The next question is about the financial structure of glocal polities as opposed to that of states. In general, states are deemed to be hierarchical structures aimed at the enforcement of revenue claims. In addition, interactions of state actors give rise to the international community. By contrast, glocal polities have a network structure which results from the interactions of non-states actors: they establish a glocal community that is different from the state-based international community.

In the current fiscal literature, it is in fact generally assumed that international relations consist of the relations between coherent units called taxing states. I argue here that a better understanding of global politics is obtained by analyzing the relations between states and many other non-states actors. Global tax politics also includes companies and non-governmental organizations (NGOs). Thus, the five main categories of political actors in the global system are nearly two hundred governments in the global system, including almost two hundred members of the UN; almost eighty thousand multinationals, having just over one thousands foreign affiliates; more than ten thousand single-country NGOs, which have significant transnational activities; almost three hundred intergovernmental organizations (IGOs), such as the UN, NATO, the European Union and so on; and more than seven thousand international non-governmental organizations (INGOs), plus a similar number of less well-established international caucuses and networks of NGOs.

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Since IGOs are usually funded by member states, NGOs are the main non-states actors which have a fiscal relevance considering their capacity to mobilize resources. The United Nations Charter contains Article 71, providing for the Economic and Social Council (ECOSOC) to consult with NGOs. In 1950, the Council formally codified its practice, in a statute for NGOs. It recognized three groups: 1) a small number of high-status NGOs, concerned with most of the Council's work; 2) specialist NGOs, concerned with a few fields of activity and having a high reputation in those fields; and 3) other NGOs that make occasional contributions to the Council. Since then, the term NGO has been synonymous with a group that is eligible for ECOSOC consultative status.

All these non-state actors play a regular part in global politics and each government interacts with a diverse range of non-state actors. An appropriate question is, therefore, whether the resource mobilization involving these non-states actors and specifically the NGOs has fiscal significance in its own right. Certainly, it is possible to define international tax relations simply as covering the relations between states and this is known as the state-centric approach, or realism. In this view, non-state actors are of secondary importance and in section 1 we have seen how the state-centric system is challenged by global capital mobility. A more open-ended approach is based on the assumption that all types of actors can affect fiscal outcomes. Within this view, international fiscal relations are not limited to governments because other actors operate across country boundaries.

The move from a state-centric to a pluralist fiscal model that also encompasses non-state actors with respect to fiscal problems depends on the rejection of a static unidimensional concept of power. Actors enter a political process possessing resources and seeking specific goals. Contrary to the realist view, however, capabilities alone do not determine influence. Explaining outcomes requires examining whether the resources of actors are relevant to the goals being pursued, describing the degree of divergence between the goals of the different actors, and analyzing how they are changed by the interaction processes. Revenue collection or alternative revenue mobilization are strategic in that respect.

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States are usually characterized as having legal authority and control over military capabilities and economic resources. They may also have high status, possess strategic information, have access to communications and be able to articulate widely shared values in support of their goals, but all these latter four capabilities can also be attributes of non-state actors. There are different scenarios depending on the conception of power. If power is seen solely in military terms, states are expected to be dominant as they control force. If power is seen solely in economic terms, multinationals and global capital are expected to be dominant because, as we have seen, they have the ability create meta-nations.

However, if power includes possession of status, information, and communication skills, then it is possible for non-state actors to mobilize support for their values and exercise influence over governments and, most importantly, mobilize resources. Glocal polities clearly stand this test, as they exercise a type of power different from that of states and multinationals. It is therefore now possible to address the question of the financial structure of glocal polities.

Glocal polities essentially operate through a polycentric system which can be tentatively defined as a social system with many decision centers having limited and autonomous prerogatives and operating under an overarching set of rules. This concept was developed in the ambit of governance studies by Elinor Ostrom and is currently adopted in the literature on managing the commons (Ostrom 2010). It brings attention to the possibility that glocal polities may mutually adjust and align themselves towards some sort of coordinated goals (Galaz, Crona, Österblom, Olsson, Folke 2012). Polycentricity draws our attention to the potential for net positive interactions between independent non-states actors and therefore it underlines that relatively de-centralized systems, as opposed to monocentric systems, may function effectively. That is because the diversity and multiplicity in polycentric systems allow room for experimentation, out of which successful networks are selected, diffused, or scaled up.

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Network science is instrumental in better understanding these polycentric forms of glocal polities. The term network denotes a set of items, termed “nodes” or “vertices”, with connections among them, termed “links” or “edges”. Thus, a network is a topological object consisting of nodes and links that abstracts away from the details of the represented situation except for its connectivity[5]. There are many objects of interest in natural and social domains that in some way can be conceived as networks. In this diversified landscape, within glocal polities, a node can be any type of institution or group of individuals, who connects with other nodes through information flows which include semantic communication, management interactions, or any other form of interaction that implies the sharing of information. Within that web, the modal relationship is connection. The nodes can be positioned at the global or at the local level, and the responses occur alongside, but not necessarily within, state actors (Slaughter 2017).

From a network perspective, glocal polities tends to be polycentric because they are highly clustered at the node level, modular at the community level, and decentralized at the network level. The density may range widely from low to high, and the average path length would not be a defining factor as a polycentric system does not need to be a small world, *i.e.,* a web with a few nodes. The degree of polycentricity is then a function of clustering, modularity, and centralization. A system is polycentric when it displays “high clustering coefficient,” “high modularity” and “low centralization”.

If the structure of glocal polities is a polycentric network, and if they mainly rely on non-monetary resources, then the modes through which resources are mobilized can be easily identified as being juxtaposed with those of sovereign states. While states raise monetary revenues (i.e., taxes) through a centralized top-down collection based on enforcement strictly localized within a territory, glocal polities mobilize non-monetary resources (i.e., commons) through a de-centralized bottom-up network activity which is not based on enforcement, and which is not localized within a territory.

The fact that glocal polities can mobilize resources through a polycentric architecture, obviously as internal implications

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concerning the sharing of those resources by the members of the global polities (internalization), while also having momentous implications concerning the external impact of the activities that are coterminous with the sharing of those resources (externalization). So glocal polities can also contribute to the development of "cooperation".

Cooperation is a broad term that denotes the process in which groups of actors interact for common, mutual, or some underlying benefit as opposed to working in competition for selfish benefit. Obviously, cooperation is intertwined with multilateralism and governance when it unfolds as "international cooperation". Prominent literature in the last decades has specifically focused on (among other forms of cooperation between governments or units of governments)[6] "trans-national cooperation", in which non-states actors, mainly NGOs, operate and aggregate consensus among different communities (see Keohane, Nye 1977).

Within the international scenario, this type of cooperation is constituted by networks of the civil society. These are glocal networks in which the nodes are private NGOs or even individuals, and the links are the connections that occur among them (mainly in informal contexts) in most cases independently of states or state agencies. Non-state actors interact in these networks sharing goals and exchanging information, forming what we have defined as glocal polities when they also harness the capacity to mobilize resources.

Seminal research was initiated in the nineties regarding a seminal form of glocal polities – the epistemic communities – and then was followed by surveys concerning their political dimension, also in connection with social networks operating online (Haas 1992, Keck, Sikkink 1998). This vast body of literature can be conveyed in the future analysis of glocal polities which, in addition to what epistemic communities usually do (the circulation of ideas), also mobilize resources. The role of epistemic communities within civil society has expanded dramatically and now they have acquired an important role in the political debate which increasingly covers global issues such as systemic climate change, economic inequality, and global distributive justice[7]. The networks active in this area can be said to

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have achieved the qualitative and dimensional threshold of glocal polities insofar as they mobilize resources and thus harness new political values.

These new glocal polities operate as networks both internally (they have a web structure) and externally (they are often connected to each other), so that they aggregate consensus on a range of politically sensitive issues. Thus, if one looks at the external political impacts of glocal polities, each of them is best described by the approach that concentrates on tax networks-as-actors, which focuses on how a glocal polity acting as a political actor affects significant political outcomes outside itself (Kahler 2009). This approach captures networks as forms of coordinated or collective action aimed at changing national policies and international outcomes. The glocal polities thus operate as vehicles of ideas and can prove effective in promoting collective ends.

Glocal polities when operate as political actors tend to be scale-free networks, i.e. networks with a large number of nodes (i.e. participant actors, individual or entities). They also exhibit a peculiar feature because they are often characterized by a small number of nodes that are connected to many other nodes that are not themselves highly connected. These highly connected nodes are likely to be the most powerful, particularly compared to less connected nodes. For example, within a glocal polity, one or a limited number of individuals densely linked to many others may form a cluster that elaborates policies. Alternatively, when many small glocal polities link together online, one of them can act as a hub and acquire a prominent role. These central nodes can exploit the success of the glocal polities to exert influence over other nodes and this differential power emerges from the pattern of interconnections within the glocal polities.

In conclusion, glocal polities are particularly fit to harness political values and ideas and to convey them, at least initially, into the actual policy-making process that mainly occurs at the international level within networks of state agencies because operate they as networks-as-actors and have a flexible structure reaching out into civil society. By contrast, glocal polities are not fit to develop soft or hard law. This task is left to states and international organizations.

A concept of global polities that mobilize their own resources offers an opportunity for the realization of a host of cultural and social identities that were previously enclosed within the borders of the traditional nation-states. An example of such a glocal polity is how Italian culture has been able to position itself in the global context in terms of *Italicità* (as distinct from *Italianità*), a holistic way to perceive the world through Italic heritage, not merely within the borders of the Italian Republic (Bassetti, Janni 2004; Cadeddu 2018). Similar transnational experiences in today's context are those of the Francophonie or the Hispanic community. Other experiences may come from the inherent hybridity of postmodern cultures that coalesce around values that do not overlap with the dimensions of the nation-states. In this sense, we can say that resource mobilization of global polities can be the potential avenue for the development of a commonwealth of civilizations and cultures: a development which is juxtaposed, without conflict, within the international community of sovereign states.

NOTES

[1] Tax inequality is a dimension of global inequality, see Milanović 2016.

[2] In general, on the crisis of the nation state, see Strange 1996, Leibfried, Rieger 2003.

[3] The term "Golden Straitjacket" was coined by Thomas Friedman (2000) to indicate a situation in which governments pursue policies that will earn them market confidence and attract trade and capital inflows, in combination with low taxes, flexible labour markets, deregulation and privatization.

[4] Nonstate actors can issue alternative currencies for specific functional reasons that are not connected to tax collection; see for example Hlebik 2017.

[5] See for example Newman 2010, Newman, Barabasi, Watts 2006, Mitchell 2009.

[6] "Inter-governmental cooperation" refers to diplomatic interactions among unitary, sovereign states led by chiefs of government or foreign offices and taking the form of international agreements, while "trans-governmental cooperation" refers to interactions among sub-units of governments relying on informal connections.

[7] See for example Dietsch 2015, 2016; Pogge Mehta 2016.

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