

① Feasible Globalization

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① Introduction

Economic integration, democratic politics, and national self-determination are three highly desirable aspects of modern governance. Economic integration promises to boost living standards by enabling more efficient allocation of resources and fostering international trade and investment. Democratic politics ensure that public policy decisions are made by those who are directly affected by them or their representatives, thus enhancing legitimacy and accountability. Self-determination associated with the nation state, allow populations to govern themselves and preserve their unique cultural and political identities.

However, this paper argues that these three elements cannot coexist simultaneously in their full forms.

The "Political trilemma of the global economy" posits that the nation-state system, democratic system politics, and

full economic integration are mutually incompatible; at best, we can achieve only two out of the three -

The Political trilemma of the Global economy

The trilemma suggests that:

i) Nation State & democracy

If we prioritize the nation state and the democratic politics, full economic integration is unfeasible because national policies and preferences will often conflict with the demands of a fully integrated global economy.

ii) Nation-State and economic integration If we aim for a nation state and full economic integration, democratic politics must be compromised because the necessary supranational rules and regulations would likely diminish national policy sovereignty.

(iii) Democracy and Economic integration

If we strive for democracy and full economic integration, the concept of the nation state needs to be redefined or diminished, likely leading to some form of supranational governance which may dilute national self-determination.

↳ Unsustainability of current Trends

The current trend towards the global market without global governance is unsustainable. Economic integration without adequate global governance structures leads to economic and political frictions. E.g. the absence of a global regulatory framework can lead to imbalances and crises, as national policies may not align well with the demands of a global economy.

↳ The Bretton Woods Compromise

* Historical context

After WWII, there was a compromise where countries could still manage their own economies, but they also worked together a bit. This worked because countries kept control while still cooperating.

↳ Shift to deep integration
Recently, there's been a push for full economic integration, teamwork, getting rid of all the barriers b/w countries. But this is tough because countries and their democracies still have a lot of power.

↳ Limits and alternatives to globalization

It is not smart or possible to have everything completely

connected b/w countries. Instead we need to find a balance and come up with smarter ways for countries to work together.

To solve the problem of global teamwork, we need to realize that we can't have everything at once. We should go back to a compromise like the one after WWII, where countries cooperate but still have their own say. That way, we can have a better world together.

② markets and non markets Institutions

* Role of regulations in market & Historically, successful markets ~~have~~ have been closely ~~related~~ regulated by the govt. Venice, London and New York all had extensive regulatory systems overseeing various aspects of trade and commerce. This helped secure fair play, quality standard and public health.

* Dependency of markets on Institutions

Beyond just enforcing the property rights and contracts, markets need other regulations like antitrust laws, public health standards, and environmental protections to function properly. Without these, businesses might act against

2. the Public interest, and the economy could suffer.

* Variety of Institutional Models

Different countries have succeeded economically with different institutional setup. The US, Europe and Japan all have different systems for labor, corporate governance and banking, yet they've all been successful in creating wealth. This diversity is rooted in cultural values and historical context.

③ Institutional Diversity vs Deep integrations

* Incomplete Economic Integrations

Despite the reduction of trade barriers, international market remained fragmented. Trade b/w neighboring regions within countries often dwarfs (less) trade between nearby countries.

* Challenges in capital markets

Even with free capital movement, most investment remain within national borders. Financial market still show a strong preference for domestic investments.

* Transaction costs and Regulatory differences of National borders create

differences in legal and regulatory framework. This makes buying, selling and investing across borders more difficult and costly.

* Harmonization Efforts

Efforts to reduce these barriers include international agreements and harmonization of regulations. However the diversity in national institutions serves important purposes and poses challenges to deep integration.

In essence, while economic integration offers benefits, the diversity of national institutions poses challenges to achieving deep integration. Balancing the benefits of integration with the need of diverse institutional setups is a complex task.

④ The Political Trilemma of the Global Economy

The Political Trilemma of the Global Economy says we can't have it all. Imagine 3 important things: nation state (like countries), deep economic connections b/w countries, and democracy. This trilemma says you can only have two out of these three things at the same time.

for example, if we want to really connect economies around the world, we might have to give up some control of our own country's decision (like taxes or rules), or if we want to keep democracy strong we might have to limit how much we connect with other countries economically.

The dilemma points out that trying to balance these things is tough. It's like trying to hold onto a big piece of cake, a cup of milk and a balloon all at once - you're likely to drop one. Similarly in the global economy, we often have to make choices about what's most important to us.

⑤ Alternative Globalization & Example of labor mobility

There are different ways we could make globalization work better for everyone. One idea is to focus more on letting people move b/w countries to work. This could bring big benefits, especially for poorer countries. Imagine if workers from poorer countries could go work in richer ones, then come back home with more money and skills. This could help boost their own countries' economies.

But there are challenges to this idea. Eg some people worry that letting in lots of workers from other countries could hurt wages for people already working there. Plus immigration isn't always popular, and there are concerns about things like crime or terrorism.

However, these challenges are not insurmountable. It suggests that a well designed system could make it work. Eg. workers could come for a limited time, and there could be rules to make sure they go back home afterwards. This way, they can bring big benefits - but it needs to be done carefully and thoughtfully.

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