Politics will fade out of the picture if we let commerce flourish. All it takes is the free movement of goods and peoples: the more people are at liberty to travel as they please between Mexico and California, the less it will matter where the accidents happen. That's the hope.

International commerce trumping national politics has long been the dream, from the eighteenth century onwards, when the idea of an international market economy first took off. The reality is different. In a world of existing governments, whose basic task is to protect their citizens, unfettered globalisation is politically inefficient. Citizens don't like it because it trades short-term security – the primary currency of politics – for the uncertain promise of long-term rewards. Governments don't like it because it threatens to put them out of business. From an economic point of view protectionism doesn't make much sense. Nor do closed borders. Both are economically inefficient in the long run. But both can make plenty of sense from a political perspective, and we still live in a political world.

This logic even applies to the manufacture of cars. Governments can't do it themselves, but they can subsidise others to do it for them. Some of the world's most successful car companies, including Hyundai, of South Korea, were developed thanks to decades of import bans, export subsidies and tariff protection. Left to its own devices, the international market could have sold the South Koreans better cars than the ones made by Hyundai. But it couldn't have given South Korea what it wanted, which was a stable manufacturing base for its own entry into international markets. That required state protection during the early years to fend off the market competition.

States often make a mess of subsidies: they pick the wrong businesses to back and then prop them up long after they have become monuments to inefficiency, for fear of the political consequences of allowing them to fail. What's worse, competition between state-subsidised industries can easily spill over into political conflict. During the 1930s rising protectionism in the face of economic meltdown helped to fuel international confrontation and ultimately resulted in a world war. Nonetheless, messy as it is and dangerous as it can be, state protection for emerging industries has often been crucial for national economic success. This view also dates back to the eighteenth century, when it was recognised by a few far-sighted individuals – including the founders of the new American republic, who regularly subsidised American manufacturing industry – that free markets and controlling states need each other if they are both to flourish. Markets can't do it all themselves.

Above all, markets can't correct for their own failures. Only government has the power to pool resources on the scale needed to rescue us from markets that have fundamentally broken down. The financial crash of 2008 demonstrated this beyond reasonable doubt. Financial innovation had produced a diversity of products that were bought up by large financial institutions. These products were meant to diversify risk, but they ended up concentrating it. The big banks had grown so large that the risks of a systemic crash were greatly