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“Globalización y la crisis del sistema estatal internacional”

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Globalization and the Transformation of the International State System¹

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In a globally integrated capitalist economy borders between states are supposed to become economically irrelevant. Globalization is the ultimate form of liberalization; it shields free markets, instituted on a global scale, from national state intervention, in particular of a redistributive kind. Rather than markets located in states, under globalization states become located in markets. This has momentous consequences for the nature of statehood, both domestically and internationally. States located in markets lose the capacity to protect their economies and societies from market competition; in fact their economic role, if one is left for them at all, is to deregulate their national economies in order to make them more competitive, internally first and as a consequence externally as well.²

As a result old conflicts between capitalism and democracy reemerge. *Domestically*, this is accompanied by a deep transformation of democratic political institutions, which in turn elicits powerful countermovements opposing the neoliberal internationalization of national political economies and the economic neutralization of the nation-state. *Internationally*, globalization has now reached a point where it finally exceeds the capacity of capitalism's sitting hegemon, the United States, to control its periphery, and has vastly increased the costs of hegemony compared to its benefits. As costs and benefits are asymmetrically distributed in the political economy of the U.S., with industrial sectors, and regions, bearing the costs and the financial sector appropriating the benefits, domestic popular resistance against American global leadership has been growing. Moreover, global capitalism's expansion has brought

¹ Norbert Lechner Lecture, Diego Portales University, November 14, 2018.

² On Globalization now see Quinn Slobodian, *Globalists: The End of Empire and the Birth of Neoliberalism*. Cambridge, Mass.: Harvard University Press, 2018.

China into the game, a strange hybrid of free market capitalism and statist nationalism, and a country that is far too big for the United States to absorb into an American-dominated world order. This raises the question of whether the U.S. and China will be able in future to agree on something like a co-directorate of the capitalist world economy. The alternative may be a global battle for dominance, like in the first half of the twentieth century between Anglo-American liberalism, German fascism, and Japanese imperialist nationalism.

In the following I will discuss selected aspects of the relationship between capitalist globalization and national statehood, treating current domestic and international developments as two sides of the same coin – as different manifestations of a single, multifaceted process of economic and political transformation of the modern state system. I begin with the conversion in Western democracies of their postwar class-based into a new identitarian politics, which has generated new and more complex lines of domestic political cleavage while adding to economic inequality. A prominent issue in identitarian politics is immigration, which tends to add an ethnic dimension to politics and the class structure. Moreover, globalization increases regional disparities, encouraging old and new separatisms especially in large and centralized, typically multinational states. Growing claims for more autonomy within or, if necessary, outside of existing national states and international organizations, unless suppressed by authoritarian rule, are part of a new *politics of political scale*, where small size and the high social homogeneity often related to it may seem attractive not just for cultural but also for economic reasons. Finally I suggest that centrifugal tendencies within and between states may raise the possibility of a post-imperialist, nation-centered international order that respects the sovereignty of smaller countries and secures peace and cooperation through a “variable geometry” of flexible alliances among equals.

The standard model in decline

The progress of globalization has put an end to the postwar reconciliation between capitalism and democracy. For a short period of about three decades, capitalism and democracy coexisted more or less peacefully within a new *standard model of a democratic nation-state*, instituted by the United States in its sphere of influence after 1945 along the lines of its own New Deal social settlement. Democratic capitalism was state-administered capitalism, different from both liberal and fascist capitalism, as well as from Stalinist communism. It provided for reasonably free elections, governments dependent on parliamentary majorities, broad-based political parties of the center-left and center-right, strong trade unions with a right to strike, freely negotiated collective agreements regulating wages and working conditions, a pluralistic mass media, and only moderate repression of opposition, except of course where it came too close to Soviet-communist anti-capitalism.

Standard-model democracy rested on a mixed economy, with a strong public sector. Political intervention corrected the outcomes of free markets and of the free deployment of capitalist property rights. It functioned as an engine of social and economic progress by securing popular support for capitalism through redistributive, egalitarian intervention in market outcomes. The egalitarian bias of mass democracy produced slowly but steadily rising wages and wage shares, half-way secure employment, indeed full employment as a social and political right, comprehensive social insurance continually adjusted to newly arising social needs and economic possibilities for a "de-commodification" of social life, ushering in an "age of compression" of incomes, wealth, living standards and life chances. Universal collective bargaining, an expanding social welfare state and redistribution of income from the top to the bottom fitted in with a Keynesian economic policy that relied on egalitarian democracy for turning the capitalist economy into a collective wealth creation machine, by using low income-

earners' higher propensity to consume as a driver of economic growth, in the service of political objectives like full employment.

Standard-model democracy, as established in an international family of, often multinational, nation-states, helped suppress ethnic divisions within national citizenries. It did so by imposing on them an institutionalized class politics between capital and labor, dividing societies ideally in no more than two camps, one around labor and the other around capital. Distributional conflict over the returns from politically managed economic growth dominated postwar national politics for about three decades, as long as internationally coordinated Keynesianism created space for nationally specific versions of class compromise and an expansion of social citizenship outside of and containing market relations. This arrangement began to fall apart in the 1970s, in the aftermath of the global wave of labor militancy in the preceding decade, with worldwide inflation and a profit squeeze causing capital flight into a largely ungoverned international economy. Moreover, national governments, unable to contain inflation and deliver on their postwar commitment to politically guaranteed full employment, placed their hopes on economic internationalization as the most promising remaining source of economic growth, and also as a means of disciplining worker and trade union demands they could no longer fulfill. By the 1990s at the latest, centrist political parties of both Left and Right throughout the Western world had adopted the “Washington consensus”, which expected a revitalization of capitalism from its liberalization, achieved by its integration into an open global economy.³

“Neoliberalism”, as the new doctrine came to be called, and the “globalization” of the capitalist political economy that underlies it fundamentally changed the politics of capitalist

³ For a more elaborate account see my *Buying Time: The Delayed Crisis of Democratic Capitalism*, London and New York: Verso Books, 2014.

democracies, away from the postwar standard model. Pressures for “restructuring” and more “flexibility” in labor markets undermined trade unions and collective bargaining as engines of egalitarian redistribution. Programmatic differences between the centrist parties of liberal-conservative and social democracy, respectively, vanished in favor of an internationalist *pensée unique*. This meant embracing, more or less passionately, politically unmanaged international markets as a preordained condition to which national politics and individual lives had to adapt or else suffer the consequences. In the course of this postwar politics lost attraction: not only did trade unions decline, and with it the incidence of strikes and the coverage of workers by collective bargaining, but voter turnout and the membership of centrist political parties shrunk as well. As the center-left in particular moved onto the “Third Way”, telling its constituents to cherish “globalization” as an opportunity to get rich by acquiring new skills and learn to live with markets and competition, including the uncertainty and inequality they inevitably bring, new ways of appealing to voters had to be found. Having given up on class collectivism in favor of “privatization” not just of the public sector but also of personal life, favoring private consumerism over public provision, center-left progressivism compensated for its desertion of *economic* equality by emphasizing *categoric* equality, turning from a *class* perspective to an *identitarian* perspective on collective interests and a good society. What used to be social democracy, having lost its base in a state-managed national economy, tried to find new ideological and political ground in a politics of middle-class libertarianism, now *fighting traditionalism instead of capitalism* and leaving the previous clientele of social democracy without a political voice.

The replacement of class politics with a politics of identity weakens social cohesion at national level, which in turn gives rise to calls for national unity. Identity politics makes for complex patterns of political cleavage that tend to be inaccessible to the sort of split-in-the-

middle negotiated compromise that under class politics kept social peace. Politics organized around social identities are at risk of fragmenting since, unlike class interests, the articulation and political address of identitarian interests may reinforce rather than bridge social divisions. Conflict resolution via liberal dispensations of constitutional and human rights, or by appealing to “tolerance” and pointing out the attractions of “diversity”, will not necessarily suffice to settle cultural conflicts. Rather, it may result in the emergence of a society of minorities, especially where immigration is involved. In fact, as we now know, discontent with the withdrawal of public policy from economic protection and with the playing-down of collective-national material interests in favor of group-identitarian cultural interests may call forth nationalist sentiments, in at least two ways. First, as especially the case of the United States shows, social groups that do not figure among the newly politically favored minorities may begin to demand special group rights for themselves also, on the model of recognized minorities, even though they may still be in a numerical majority. And second, those that still depend on an active interventionist state, or believe that they do, may insist that rights be underwritten by obligations, especially for the better-off. As the only place where social obligations can be created and enforced is still the nation-state, calls for redistributive solidarity often come with appeals to national identity. It is above all at this point that globalist internationalization is confronted with a growing nationalist “populism”.

Labor markets without borders

A global economy is a borderless economy, not just for goods, services and capital, but also for labor. Under global capitalism, with redistributive political intervention weakened, differences in prosperity between high and low growth locations tend to increase. High-growth locations, whether regions or countries, need their working populations to grow faster than they could on their own, so that labor supply will not become a “bottleneck” for further growth.

Today, as old industrial countries are de-industrializing, it is in particular the cities with their low indigenous birthrates that require immigration, from both national and international hinterlands. Needed immigrants are both high and low-skilled, from artificial intelligence experts to child menders and fast food preparers. While the ones stock up the limited supply of educated nationals, the others populate low-wage service sectors such as personal care and cleaning, making possible the commercialization of what once used to be family and household labor.

The idea of a borderless global economy with free international migration appeals not just to business – for which the labor supply cannot be indefinite enough – but also to a growing “meritocratic” middle-class that identifies itself as “cosmopolitan”. Immigration into low-wage service work helps them develop tolerance for inequality as immigrant workers tend to be visibly happy and grateful for being allowed to be where they are. Moreover, migrants in search of a “better life” correspond to the libertarian-entrepreneurial ideals that predominate in today’s urban settings; they suggest the possibility of an individualistic, market-driven solution of what had once been considered collective-political calamities, such as underdevelopment in sending countries and low fertility in receiving ones. Open borders, with their alleged benefits to the poorest of the poor, may also appear morally obligatory as atonement for the past evils of colonialism, slavery, racialism and the like, in addition to their economic justification of providing the urban “creative economy” with cheap cleaners and underpaid Amazon deliverymen and women.

Cosmopolitan libertarianism claims that global labor markets that eliminate national borders and national citizenship, knowing only individual sellers of labor power, are good for everybody concerned. It suggests, in neoliberal spirit, that the composition of societies is best left to the market or, second-best, to universalistic-technocratic population management.

There are, however, reasons to doubt this. Whatever benefits a global labor market without borders may offer, there are costs also. Receiving countries are not only likely to relent on efforts to contain economic inequality, but they will also be tempted to scale down their investment in education as they can fill their needs for a qualified workforce at lower cost by attracting skilled immigrants. (In other words, open borders may amount to a moral hazard for immigration-receiving countries.) It is in this way that the United States and Britain can maintain internationally leading universities and, in the United States in particular, avant-garde high-tech industries, in spite of comparatively low-quality secondary education systems. Correspondingly, sending countries may lose much of their investment in education, usually not very high in the first place, due to what is called “brain-drain”. Also, resettlement of their more enterprising and talented individuals deprives peripheral countries of resources that would be crucial for their future development; the long-term costs of this must be held against the short-term benefits of the remittances from migrants to their families. For example, remittances may make families dependent on absent breadwinners, which may stifle local economic initiative. Importantly, outmigration also relieves political pressure on local oligarchies when more demanding citizens, who might be effective opponents or revolutionaries, leave for foreign countries. This may allow kleptocratic national elites to save on economic development efforts, taking advantage of global liberalism by moving potential investment capital into Swiss bank accounts or spending it on British and American real estate.

Cosmopolitan-libertarian advocacy of unlimited migration knows no collective interests of countries or societies, whether sending or receiving. In sending countries migration may for some time seem beneficial, leading to immigration into rich societies being claimed as a human right. In receiving countries, however, it soon tends to become divisive. While the

urban economy and urban life depend on an open global labor market, immigrants are perceived by the mostly indigenous non-urban population as competitors for employment, welfare state services, and cultural prestige. Fears on the part of the non-urban population of being economically abandoned and culturally detested by urban cosmopolitans make for high receptiveness for nationalist, or anti-internationalist, social and political mobilization. In addition to posing a threat of social descent for what used to be the lower middle class, immigration causes fears among indigenous citizens for their specific way of life. Selective and limited immigration has been absorbed by many countries without much friction. Unbounded and open-ended immigration, however, mandated by international treaties, agencies and courts, as was on the European horizon in particular around 2015, calls forth social countermovements that eventually make liberal immigration rules politically unsustainable, typically after long and divisive cultural, emotional, moral and identitarian conflict.

A new regionalism

As the redistributive capacity of states under globalization is diminished, inequality increases not just between income groups but also between regions. With the declining significance of institutionalized class conflict, disparities between territorial subsocieties rise to political prominence. Following the demise of the standard model, discontent over regional inequality is easier to organize than class conflict, taking advantage of spatial proximity and drawing on collective memories of historical, often ethnic conflicts over the formation and centralization of modern nation-states.

Unlike class politics, neo-regionalism fosters centrifugal tendencies in national politics and makes the preservation of national unity difficult. There are various ways in which the shift from markets embedded in states to states embedded in markets may lead to national disintegration. As national economies become integrated in a global economy, being part of a

large national market is no longer required for economic prosperity, given that the same and even greater economic opportunities are offered by global markets. This makes the expression of older subnational identities and of desires for political autonomy related to them less economically costly. Also, in countries where economic sectors cluster regionally, as they often do, regions that are the home of internationally competitive sectors may resent being taxed by the national state for the cross-subsidization of less well-endowed regions, especially if they face strong international competition. If central governments nevertheless insist on regional redistribution from winners to losers, this is likely to encourage secessionism; an example is Catalonia. If, on the other hand, national governments have to give in to competitive regions-cum-sectors, for political reasons but also in order not to damage their global competitive position, weaker regions may either turn nationalist, calling for a more centralized state, or, to the contrary, give up hopes for national solidarity and opt for trying their luck on their own.

A special case of regional disparities is the widening gap, almost everywhere in capitalist democracies, between large “global” cities and their surrounding countryside. Here, the place of territorial separatism is taken by an urban culture of cosmopolitan anti-nationalism, reflecting the similarities across countries in economic conditions and social ways of life in cities like Berlin, London, Paris, New York and others. This may make the cleavage between cities and hinterlands appear as mainly a cultural one. Underlying it, however, is often an aversion of cities, now the growth poles of national economies, against being taxed for the rest of the counties where they happen to be located – an aversion that hinterland citizens tend to consider in violation of national solidarity.

A new politics of political scale

Surprisingly, globalization, as it crosses a certain threshold, seems to militate, not toward imperial inclusion, supranational integration, or governmental centralization. Instead it appears to generate pressures for units of governance becoming smaller or less centralized, with greater local autonomy, in a more open and less hierarchically controlled national or international order. Where globalization via capitalist expansion does not promote outright separatism, as it did in the former Yugoslavia, Czechoslovakia and the Soviet Union, it seems to generate powerful demands for political decentralization, or devolution; examples are Spain, Belgium, Canada, Italy, the United Kingdom and even, to an extent, Germany. Often decentralization seems to be the only democratic way of keeping large states united – the price of unity, after the end of the standard model, being a surrender of power and competences to smaller, more cohesive and socially homogenous lower-level units of political organization. This observation is applicable also to the European Union, which suffers from growing tensions between subnational and national nationalism as well as between national and supranational nationalism, both reflecting the decline of the standard model of democracy at the nation-state level and the impossibility of instituting it at the supranational level. The latter, of course, is due to the refusal of EU member states to abandon their national sovereignty, which they seem to consider the more valuable the more exposed they are to global markets. While Brexit is the most visible expression of a desire of nation-states to “take back control”, national resistance against supranational government is strong also in Eastern Europe and increasingly in Southern Europe as well, the most obvious case being Italy’s “populist” rebellion against the EU’s so-called Stability and Growth Pact.

How strong the new centrifugal forces are in today’s state system can also be seen from the fact that large countries that refuse to make concessions to them, perhaps because they want to hold on to the international power dividend of large size, seem increasingly to

resort to authoritarian rule – see the recent trends toward different forms of nationalist authoritarian government in large countries with high regional inequality, like Russia, Turkey, the Philippines, Brazil, China and, in different ways, the United States. In places like these, liberal democracy may no longer be enough to keep countries united, given the diminished redistributive capacity of central governments. The upshot may be that under conditions of a globally integrated economy, democracy may be most likely to survive in small political units, either in small sovereign nation-states or in small autonomous cantons in large but decentralized sovereign nation-states.

What is at issue here seems to be a new *politics of scale*, or of *political architecture*.⁴ Units of sovereign self-government may either be large or small; the smaller, the more numerous they are, everything else being equal. Large units, being few in number, internalize a broad range of governance functions, simplifying the relations between them. Small units, by comparison, depend on a complex international order that compensates for the weaknesses that come with small size while supporting the strengths that also come with it. The apparently growing centrifugal tendencies in today's international state system seem to indicate that it may be better for a nation under globalization to be small and dependent on a supportive international order than to be large and dependent for its unity on authoritarian government.

Small states in world markets

It is worth noting that as the world became simultaneously more global and more capitalist, the number of sovereign states has grown. While in 1950 there were about 90 states, 60 of them in the United Nations, in 2017 there were 196, all but three of them UN members. Ob-

⁴ See my "Reflections on Political Scale," Adam Smith Lecture in Jurisprudence 2018, University of Glasgow, May 30, 2018.

viously, major forces behind this were de-colonization and, later, the break-up of the last European empire, the Soviet Union. Average state size declined even as global population increased; in 2010 states' median size was around 8.4 million people.⁵ Importantly, there were no cases of voluntarily mergers, apart from the United Arab Republic that soon broke apart, and from Germany, which was a case of belated re-unification after the country's division in 1945. Even tiny Lithuania, Estonia and Latvia never thought of forming a United Baltic Republic after regaining their independence from the Soviet Union or Russia. Apparently the cultural individualism observed in modern societies finds an equivalent in a sort of structural individualism in collective political architecture. It is true that some of today's states are quasi-private hunting grounds of oligarchs, kleptocrats, and warlords of all kinds, often kept in place against the will of their citizens by post-colonial or imperial powers. There are also more than enough "failed states", often products of misconceived "humanitarian interventions" abandoned when turning out more difficult than expected. But even democratic states, like the Nordic ones, have never in modern times thought of merging, regardless of a dense web of, freely negotiated, cooperative relationships.

Why should it be attractive to be small and sovereign in an era of capitalist globalization? In the 1980s Peter Katzenstein, in his seminal book, "Small States in World Markets",⁶ showed that small European countries, being necessarily highly dependent on international trade, tended to interpret the *conflictual class cooperation* institutionalized in what was then

⁵ For the number of states see <http://www.un.org/en/member-states/>, as of October 1, 2008. For state size see, *World Development Indicators Last Updated: 09/21/2018*, <http://data-bank.worldbank.org/data/reports.aspx?source=2&series=SP.POP.TOTL,SP.POP.0014.TO.ZS,SP.POP.1564.TO.ZS,SP.POP.65UP.TO.ZS,SP.POP.DPND.YG,SP.POP.DPND.OL,SP.DYN.CDRT.IN,SP.DYN.CBRT.IN#>

⁶ Peter J. Katzenstein, *Small States in World Markets: Industrial Policy in Europe*. Ithaca, NY: Cornell University Press, 1985.

the standard model of democracy more in the direction of cooperation than of conflict (resulting, according to Katzenstein, in “democratic corporatism”). This involved, in short, compensating the losers of industrial change to mobilize political support for industrial policies of “flexible adjustment”, aimed at jointly building productive capacities assuring the country a leading position in segments of the global marketplace, so as to make protectionism dispensable and maintain economic openness. In particular, Katzenstein reported, “the industrial adjustment strategy of the small European states stresses specialization in export markets... These states have generally succeeded in establishing comparative advantage in selected market niches where demand is relatively stable” (p. 79). Today, small-state productivism, as embodied in an industrial policy of what may be called *sectoral specialization*, continues to be pursued by governments in places like the Netherlands, Denmark, or Switzerland, in an alliance with “patriotic” business and what is left of trade unions.

Sectoral specialization uses the full capacities of a sovereign national state to build a rich social and physical infrastructure tailor-made for a small portfolio of economic sectors optimally favored by the country’s physical and institutional endowment. Where successful, sectoral specialization makes it possible for the national economy to find, occupy and defend niches in the global economy where high incomes can be earned for the national population as a whole. Focusing the national economy on a few high value-added sectors, like logistics in the Netherlands, design and business consulting in Denmark, or finance and precision engineering in Switzerland, is facilitated by a public policy, from education to immigration, that is customized for the needs of those sectors, as well as by high social and political cohesion and specialized technocratic expertise, of a sort that large countries, which have many sectors to attend to, are not likely to muster.

Small societies that insist on a sovereign small state of their own, to mobilize their national cultural and physical endowment for building a patriotic “high-road” national niche economy, run two risks. One is that they, colloquially speaking, must put all or most of their eggs in a very small number of baskets, so exogenous economic or technological change in just one sector may severely jeopardize their prosperity. A frequently cited example is Finland, which emerged after the end of the Soviet Union as a world power in micro-electronic technology with the rise of Nokia, out of a national economy that had long languished as a supplier of forest products like pulp and of related machinery. Having reorganized its schools and universities to fit the needs of its fast-growing telecommunications sector, Finland went into a deep economic crisis when Nokia came to the border of collapse after several strategic errors committed by its management. That crisis was exacerbated by the fact that Finland had just joined the euro, depriving it of the possibility of supporting structural adjustment by an independent monetary policy assisting or replacing internal with external devaluation. Other sectorally specialized small nation-states, like Norway, Denmark, Sweden and Switzerland, that have retained their national currencies fared a lot better and continue to combine superior performance in global sectoral markets with strong democracy and comparatively high equality. The case indicated that it helps if sectoral specialization is based on an industrial organization of small and medium-sized firms, which are often more patriotic and less likely to relocate abroad, rather than turning a country into something like a company state. It also points to the need to combine specialization with flexibility, so as to preserve a capacity to respond to external market changes. Obviously this will pose difficult problems and indeed dilemmas for industrial policy.

The second risk for a small country pursuing a niche strategy is that the international regime on which it depends may not be sufficiently supportive, for example by failing to deliver monetary stability or to prevent unfair tax competition. This is the least well-explored issue in the transformation of the contemporary state system, and addressing it in the final section of this lecture I am well aware that all we can say here is highly tentative and speculative.

A new international order?

An international order accommodating more widely dispersed national autonomy will have to differ from the so-called “liberal” or “rules-based” order of the “West” that limited what states could do for themselves and their citizens, in particular with respect to trade and the management of their economies. The breakdown of that order may, after the experience of globalization, not seem much of a loss to many. Looked at with hindsight, it is obvious that the post-war international order was not for all states rules-based – not for the U.S. in particular, which always reserved for itself a choice between unilateral, bilateral and multilateral action, calling itself “the indispensable nation” implying, presumably, that other nations might be dispensable. In this respect the liberal order was more of an imperial order, one in which the United Kingdom sought the role of first lieutenant and France considered itself as something like the center of a sub-empire within a more encompassing “West”.

In functional terms, the benefits of the liberal-imperialist international order may be overstated. A good example is the European Union, a political construction where rule-based liberalism was and still is stronger than anywhere else. One reason why it has fallen in disrepute is that the only kind of international “integration” it managed to enforce was a negative one, mandating member states to open their markets and refrain from protecting weak firms

and sectors and their workers. Decade-long attempts to get member states to agree on effective measures against tax evasion remained fruitless, not just because intra-European tax havens were effectively defended by the member states in which they are located, but also because in the open markets of the liberal world order there are enough tax havens outside of Europe. There is also, of course, the fact that the Union actively promoted the neoliberal transformation of its member states' political economies by failing to build a democratic polity at the supranational level able, for example, to produce a common social policy (one reason for this being the unwillingness of member states to sacrifice their national sovereignty). As to the global liberal regime led by the United States, of which the EU was part, it always included a periphery of kleptocratic states that were anything but liberal or democratic. Moreover, the liberal world order's hegemon, accounting for half the global spending on "defense", managed to make other states in its ambit take part in "humanitarian interventions" and erratic crusades for "democracy" and "nation-building" all over the world. Mostly unsuccessful, they created chaos rather than order.

What hopes are there for a post-liberal, less imperialistic, more decentralized international order? One may be the rise of China. Conceivably China, in a departure from a long national tradition,⁷ may seek an empire of its own, to confront the "Western" empire. But the decline of the United States and the attendant rise of American "isolationism" may also allow for a global balance of power that leaves smaller states more autonomy, with possibilities for a "variable geometry" of voluntary cooperation among them. Note that China, unlike the United States before Trump defeated Clinton, seems to have no intention to impose its mode of government on other countries. The Trumpist "America first!" may mean a project to restore American hegemony; but it may also indicate a will to give primacy to the domestic

⁷ See Perry Anderson, *The H-Word: The Peripeteia of Hegemony*, London and New York: Verso, 2017.

problems of the United States: repair the country, not the world. In fact isolationism of this kind may be what Trump's voters seem to want, following in a long "nationalist", in the sense of anti-internationalist, tradition in American "populism".

Can a truly multi-polar, pluralist, decentralized, nation-centered rather than imperial world order work, one without superpowers lording it over their respective collections of vassal states? Can it, in other words, provide for something like peace and prosperity? Regarding peace, small states depend on an international system that firmly enshrines and respects national sovereignty; while they are unlikely to attack other states, they must be protected by strongly institutionalized international norms from being attacked. In addition to large states keeping each other in check, this requires that there are no large states with a sense of mission, democratic or otherwise. After the demise of the Soviet Union and with a recently more inward-looking United States, this condition may be easier met than ever since the end of the Second World War. Protecting small countries' sovereignty may also require that "humanitarian interventions" are entrusted only to alliances of small states under a strictly defined international mandate, to prevent them from being instrumentalized for imperial purposes. Obviously also, the "war on terrorism" would become a matter for the police rather than the military.

As to prosperity, small countries depend on open world markets since they cannot possibly aspire to autarky. The smaller a country, the larger the share of foreign trade in its economy. But small countries are, or may be, also effective niche-seekers. By specializing on products or services others urgently need but cannot easily buy elsewhere, they protect themselves from head-on cost and price competition. As sectoral specialization requires an active industrial policy that cultivates local and national strengths it may be in conflict with a free trade regime designed to keep states out of the economy by constraining their sovereignty.

Different, autonomously negotiated trade agreements among groups of countries may be better suited for small-state prosperity than a “liberal” world economy governed by general rules applicable to all but biased in favor of the imperial lead economy. (This holds not just for small but also for so-called “developing countries” on the capitalist periphery.) While the emergence of a more nation-centered peaceful order of small states in the shadow of a balance of power between the U.S. and China is obviously a long shot, what is clear is that the old liberal-imperialist world has broken down and is unlikely to be restored.

A brief summary, by way of conclusion

Globalization upends the class-based standard model of capitalist democracy, as instituted in the “West” under American leadership after the Second World War. Weakening redistributive politics, it produces an increase in economic inequality, not just between classes but also between regions. Growing regional disparities tend to find expression in centrifugal tendencies within existing nation-states, as a variant of a new politics of identity instead of class. Sometimes such tendencies may issue in political decentralization, or federalism; they may also, however, call forth a nationalist push-back leading to more authoritarian political rule. In any case, the size and number of self-governing political units has become a leading political issue, not just in Europe, and so has the architecture of their mutual relations in an international order. Mergers not being likely, small units of sovereign self-government may seek prosperity through an industrial policy of sectoral specialization, attempting to establish superiority in high value-added niches in the global economy. For this they depend on a supportive international order that allows them sufficient discretion to develop their strengths while protecting them against their vulnerabilities. The current “liberal”, allegedly “rules-based” international order is biased in favor of one-size-fits-all economic liberalization. For a post-neoliberal world, it must be replaced with a more nation-centered, less technocratic and less imperialistic order

that respects the particularities and the sovereignty of its constituent units. The rise of China as a global rival of the United States might result in a balance of power that may be conducive to decentralization and dispersed autonomy.