

Political books

Why governments can't have it all

Must democracy, sovereignty and economic integration remain incompatible today?



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8 HOURS AGO by: Jonathan Derbyshire

A decade ago, the economist Dani Rodrik identified what he called the “inescapable trilemma of the world economy”. According to Rodrik, democracy, national sovereignty and global economic integration are incompatible. You can combine any two of those elements, he said, but not have all three simultaneously.

Nation states in the age of globalisation face a stark choice, therefore. They could, for instance, pool their sovereignty in some sort of worldwide federation, tailoring their politics to the needs of global markets. But if the experience of the EU is anything to go by, the prospects for such a utopian scheme are not good. If neighbouring countries with a shared cultural and historical inheritance struggle to integrate, what hope is there for federation on a global scale?

That leaves two other options in Rodrik's view. States could retain their sovereignty but make the pursuit of global economic integration their overriding policy objective, to the exclusion of

other domestic goals. But that seems incompatible with the practice of democratic politics, which is all about making trade-offs between competing aims or goods. The remaining course, then, would be to sacrifice some measure of economic integration in the interests of sovereignty and democracy. This is roughly what happened in the postwar Bretton Woods system, in which countries retained capital controls as a brake on trade liberalisation.

Rodrik's thesis has aged rather well. Indeed, if anything, the political and economic turmoil that has shaken the world's major democracies in the 10 years since the global financial crisis shows that the trilemma is sharper and more painful than ever. It also shows that governments are no nearer coming to terms with it than they were when he first formulated it. Two new books — one by the Bulgarian political scientist Ivan Krastev, the other by the British political journalist Steve Richards — are, in different ways, attempts to wrestle with the far-reaching consequences of their failure to do so.



In his witty and provocative little book *After Europe*, Krastev suggests that European governments persuaded themselves that they could have what Rodrik argued was unachievable — namely, “hyperglobalisation, democracy and self-determination simultaneously”. Political elites, he says, have either tried to wish away the trilemma altogether or else sought to “make possible the impossible” by torturing terms like democracy and sovereignty into near-meaninglessness. The consequences have been predictably severe, with populists of various stripes gaining ground across the EU.

The emergence over the past few years of a more confrontational style of politics, in which charismatic leadership matters more than policy and the old division between right and left matters less than that between “internationalists and nativists”, leads Krastev to predict that 2017 “may end up being just as consequential” as 1917, the year of the Russian revolution.

In fact, the outlook for liberal democracy in Europe looks a little less gloomy than it must have done when he was finishing the book, in the shadow of the Brexit vote and the election of Donald Trump in the US — not to mention accumulating evidence that EU member states in central and eastern Europe, Hungary and Poland in particular, are systematically flouting the principles of constitutional liberalism on which the union is built.

Democratic politicians should not take what he calls the ‘powerlessness of power’ for granted

But Krastev's book doesn't stand or fall on the strength or otherwise of that prediction. He is less interested in any putative Brexit “contagion effect” — which appears not to have materialised if the result of elections this year in the Netherlands and France are anything to go by — than in another, deeper and graver, threat to the survival of the

European project.

The “disintegration” of the EU, Krastev argues, is a question of when, not if. This is the conclusion he draws from the migrant crisis that erupted in 2015. The dramatically accelerated influx of large numbers of people from other parts of the world, especially from the war-torn Middle East and impoverished sub-Saharan Africa, laid bare a structural tension between western and eastern European member states that he thinks will do for the union sooner or later.

For many eastern Europeans, Krastev writes, the migrant crisis was a betrayal of the promise of prosperity that accession to the EU originally held out. The main beneficiaries of the opening of European borders, he says, were “the brilliant individual émigrés, the bad eastern European politicians and the xenophobic western European parties.”

The rise of those xenophobic parties across the developed world is one of the topics of Richards' *The Rise of the Outsiders*. Populists or “outsiders”, he says, exploit the gap between “perceived might and actual power” — between, to adopt Rodrik's terminology, the appearance of sovereignty, on the one hand, and the reality of global economic integration, on the other.

But while Krastev appears to treat the ultimate victory of the illiberal revolt in eastern Europe as inevitable, Richards is more sanguine about the threat posed by populism elsewhere. “The fall of the outsiders is inevitable,” he writes. “Electoral success destroys the essence of their pitch.”

STEVE RICHARDS

**THE
RISE OF
THE
OUTSIDERS**

How Mainstream
Politics Lost its Way



President Trump, the arch self-described outsider, is currently learning some painful lessons about the constraints on democratic power, he points out.

Governing in a democracy was always hard, Richards says, and it has become even harder under globalisation. But globalisation isn't destiny. Democratic politicians should not take what he calls the "powerlessness of power" for granted, even if their room for manoeuvre turns out to be more circumscribed than it once was.

Consider the example of the New Labour government of 1997-2010. One of its principal failings, Richards suggests, was a kind of fatalism about globalisation. He quotes Tony Blair's speech at the 2005 Labour party conference, a fevered paean to the inexorable expansion of the global market economy. "The

temptation is to use government to try to protect ourselves against the onslaught of globalisation by shutting it out," Blair said, "to think we protect a workforce by regulation, a company by government subsidy, an industry by tariffs. It doesn't work today."

But Blair's "determined passivity" is not the only alternative to outdated policies available to politicians hamstrung by the bewildering realities of global trade. As Richards shows, and as Rodrik showed before him, there are other options so long as we don't delude ourselves that we can have it all.

After Europe, by Ivan Krastev, *University of Pennsylvania Press*, RRP£15.99/\$29.95, 128 pages

The Rise of the Outsiders: How Mainstream Politics Lost Its Way, by Steve Richards, *Atlantic Books*, RRP£18.99/\$26.95, 288 pages

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