Reflections on political scale*

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ABSTRACT
What is better for a country, to be big or to be small? And should sovereign statehood be centralised or distributed among countries of common cultural and institutional lineage? Debates on this reach back to early modernity where Gibbon tries to draw lessons from the decline and fall of the Western Roman Empire and Smith reflects on the political conditions of individual liberty in a society with mobile capital. The lecture explores in their light current developments in the European and international state system, in particular subnational separatism and nationalist revolts against a European superstate. It concludes that it is time to give small size and decentralised sovereignty a chance.

I start, not with Smith – he will show up near the end – but with a close friend of his, the historian Edward Gibbon. In the fourth volume of his Decline and Fall of the Roman Empire, published in 1788, Gibbon’s narrative reaches the point when in the late fifth century the Western Roman Empire forever expired.¹ Before he finally turns his attention to the history of Byzantium, Gibbon pauses to look back at more than four centuries of Roman imperial statehood to consider what the ‘awful revolution’ he has recounted might mean for ‘the instruction of the present age’. Surely, Gibbon continues, it is the duty of a patriot to prefer and promote the exclusive interest and glory of his native country; but a philosopher may be permitted to enlarge his views, and to consider Europe as one great republic, whose various inhabitants have attained almost the same level of politeness and cultivation.

Within that ‘great republic’, ‘the balance of power will continue to fluctuate, and the prosperity of our own or the neighboring kingdoms may be alternately exalted or depressed’. But while ‘these partial events cannot essentially injure our general state of happiness, the system of arts, and laws, and manners, which so advantageously distinguish, above the rest of mankind, the Europeans and their colonies’, a different question, to be asked ‘with anxious curiosity’, is whether Europe as a whole ‘is still threatened with a repetition of those calamities which formerly oppressed the arms and institutions of Rome’.

Can a social and cultural catastrophe like the breakdown of the Western Roman Empire happen again? As a contemporary of the age of enlightenment, Gibbon, his occasional...
bouts of melancholic irony notwithstanding, ultimately believed in irreversible historical progress. Among the reasons he gives why there will not be another ‘decline and fall’ of Western European civilisation is that the organisation of the Europe of his time differs from that of the Roman Empire. Rome, so Gibbon, was too big and too centralised for its own good, or for the good of the society – the ‘one great republic’ – it governed. For one thing, although the Empire’s ‘subject nations’ had fully embraced the character of Roman citizens…, this union was purchased by the loss of national freedom and military spirit; and the servile provinces, destitute of life and motion, expected their safety from the mercenary troops and governors, who were directed by the orders of a distant court.

Moreover, at the height of the Empire ‘the happiness of an hundred millions depended on the personal merit of one or two men, perhaps children, whose minds were corrupted by education, luxury, and despotic power’. This was now different, and the following key passage of Gibbon’s argument is worth quoting at some length:

Europe is now divided into twelve powerful, though unequal, kingdoms, three respectable commonwealths, and a variety of smaller, though independent, states; the chances of royal and ministerial talents are multiplied, at least with the number of its rulers… The abuses of tyranny are restrained by the mutual influence of fear and shame; republics have acquired order and stability; monarchies have imbibed the principles of freedom, or, at least, of moderation; and some sense of honour and justice is introduced into the most defective constitutions by the general manners of the times. In peace, the progress of knowledge and industry is accelerated by the emulation of so many active rivals…

What Gibbon discusses here is what I call ‘political scale’. What is better for a political society, to be big or to be small, and better in what respects? How best to draw the borders between states that separate domestic from international political structures – a question that reminds us of Ronald Coase’s theory of the firm? Which problems should be internalised and dealt with in domestic politics, and which should be externalised and left to foreign policy? In fact, Gibbon’s perspective on political scale appears particularly sophisticated, and highly relevant for today, in that he conceives state structures not just in terms of the size of states, or of the alternative between internal and external state relations. Instead, what Gibbon talks about is the structure of state governance – the political architecture, unified or subdivided, centralised or decentralised – of an encompassing society or common civilisation: the relationship between local and functional integration and differentiation among different political jurisdictions within an overarching social system. Here, Gibbon comes out strongly in favour of functional decentralisation and territorial subdivision.

230 years later, in by and large the same geographical space that Gibbon wrote about, among the collection of political jurisdictions that now exist in what was once the Western Roman Empire, we observe a deep crisis of a project of economic and political ‘integration’ that is fundamentally contrary to Gibbon’s plea for a Europe of distributed rather than centralised sovereignty. In the language of its proponents, that project is aimed at an ‘ever closer union of the peoples of Europe’, to culminate in an encompassing political jurisdiction modelled after the United States of America. Passionately opposing this is a broad ‘populist’ movement aiming, in the language of the British ‘Leave’ campaign, at

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2Ronald Coase, ‘The Nature of the Firm’ [1937] 4(16) Economica 386–405.
‘taking back control’, by seeking smaller rather than bigger units of governance and rejecting not just a united European superstate but also unified and centralised rule in some existing nation-states. If nothing else, this conjuncture makes it worthwhile to revisit the issues raised by Gibbon’s reflections on the political architecture of the Roman Empire and its contribution to its demise.

In the following, I will discuss political scale in a historical-institutionalist rather than an economic perspective. Unlike the pertinent economics literature, which is not big but sometimes quite insightful, I am not interested in a normative theory of state size, as though it was possible to devise an abstract formula as to how the world would be optimally subdivided into sovereign but related units of self-government. Nor will I offer a positive economic theory of state structures, endogenizing them in theoretical models of economic growth or efficiency. Instead I will leave it to empirical observation whether and to what extent strategic economic interests shape political architecture or, vice versa, political architecture shapes strategic economic interests (I will present an example of the latter at the end). Given that what we are facing when thinking about political architecture is a historical world that is only partly at our disposal, and certainly one that is far from governed by economic considerations alone, we should be aware that we are looking at particular places at particular times and take seriously as explanatory factors their specific historical legacies and historically conditioned trajectories.

In what follows I will begin with an assessment of the nature of what I call the ‘populist revolt’ as it relates to political scale. I will then move on to a discussion of the current condition of the European nation-state and its historical merits as a political entity after seventy years of peace in Europe. My point there will be that the nation-state of today is not identical with the nation-state of the first half of the twentieth century to which it owes its bad reputation. Next I will outline some of the advantages of small size of sovereign political-economic entities today, followed by a shorter discussion of some of its drawbacks. A brief conclusion will pull the various aspects of the issue together.

The populist revolt

Much has been written on the reasons for the current ‘populist’ surge, too much to be summarised here. Obviously, a central theme of today’s ‘populism’ is precisely the architecture of national and international governance in a global economy, including the place in it of less-than-universalistic social solidarity, political sovereignty, and cultural identity. This issue is behind regionalist-separatist movements such as in Scotland or Catalonia; nationalist resistance to supranational integration and centralisation, as in the UK; and the refusal among EU member countries, especially in the East, to be governed ‘from above’ by a distant supranational capital. Fuelling these conflicts is an often passionate resentment by diverse social groups against what they perceive as hostile attempts to restructure their traditional communities and solidarities from the outside in order to fit them into an economistic system of political rule, moral identity and, importantly, international competition.

3For excellent summaries see Alberto Alesina, Enrico Spolaore and Romain Wacziarg, ‘Trade, Growth and the Size of Countries’ in Philippe Aghion and Steven N Durlauf (eds), Handbook of Economic Growth, Vol. 1B (Elsevier 2005) 1499–1542; Enrico Spolaore, ‘National Borders and the Size of Nations’ in Donald A Wittman and Barry R Weingast (eds), The Oxford Handbook of Political Economy (Oxford University Press 2008) 778–98.
Opponents to social restructuring from above come in different sizes and colours. They may include relatively well-to-do, ‘conservative’ communities settled in their physical and historical locations that want to remain the way they are, as well as regions and classes with deteriorating market chances that are told to ‘restructure’ or else it’s their own fault. They also include nation-states resenting international bureaucrats or law courts telling them how many immigrants they have to take or be punished by economic sanctions. In these respects, today’s ‘populism’ appears as the concrete historical countermovement to Habermas called the European ‘lure of technocracy’, a technocracy that is working hard to make national societies ready for global capitalism.

That the rise of the new populism, with its demands for a decentralised, distributed architecture of political rule, is related to global economic integration is a claim that is very much present in the economic literature on state size. The idea is that international markets that extend beyond state borders produce the same and even greater economic benefits as the large domestic markets of large states. As a result large states seem dispensable and subnational communities may feel encouraged to go for the benefits of small political size, whatever they may be, without losing the benefits of free trade in large markets. While this may be so, and may explain why secessionist movements in rich regions, like Catalonia, want their regions to remain in the EU after successful secession from their present nation-states, the matter may be more complex than that. The opening up of national societies under ‘globalization’ came together with a neoliberal turn of postwar democracies, when governments withdrew from protecting their societies from foreign competition. In fact, such withdrawal was specifically to enhance national ‘competitiveness’, with the purpose of restarting capital accumulation after the crisis of the 1970s. Promoted by an emerging ‘competition state’, however, globalisation also increased internal inequality as different social groups, economic sectors and territorial regions fared differently in the new economic environment, while domestic redistribution was curtailed by a need not to damage the international competitive position of the new national champions. The result was a loss of confidence in national and supranational regimes on the part of the losers of globalisation, in addition to whatever diminishing there would have been to encompassing state structures among the winners.

Declining national cohesion came with a redrawing of the lines of domestic conflict in the course of the disintegration of the postwar ‘standard model’ of capitalist democracy. In addition to reasonably free elections and accountability of governments to a national parliament, that model included strong trade unions entitled to collective bargaining on wages and working conditions, as a second tier of national government. Institutionalised with the support of their nation-states, collective bargaining regimes organised distribu- tional conflict along class lines, between capital and labour, complemented by

4Jürgen Habermas, The Lure of Technocracy (Polity 2015).

5Of course Habermas and his school expected the battle against technocracy to be fought by a deliberating (left-) liberal middle class, with good manners and sound knowledge of democratic theory. That instead it was taken up by uninitiated representatives of the Great Unwashed, with emotion substituting for reason, was a historical disappointment. In response, opposition to Brussels (or Geneva) was designated ‘populist’ by the defenders of democracy, with ‘populists’ defined as simpletons unable to grasp the delicate complexity of today’s political problems in a global world. At risk of falling into the hands of demagogues, therefore, they must be fought tooth and nail in the name of educated middle-class democracy, not least by discrediting their demagogues as ‘racist’ (populists on the Right) or anti-Semitic (on the Right and on the Left).

6Robert Jessop, ‘From the Welfare State to the Competition State’ in Patricia Bauer (ed), Die Europäische Union - Marionette oder Regisseur? Festschrift für Ingeborg Tömmel (VS Verlag für Sozialwissenschaften 2004).
corresponding state policies on, for example, social security and skill formation. Globalisation pulled the rug out from under this system in that it enhanced the mobility of capital to an extent that it could refuse organising as a national class. Thus institutionalised class conflict gradually gave way to cross-class competitive alliances at the level of individual firms or sectors. In the process class solidarity was undermined by, and replaced with, enterprise or regional solidarity, and disparities between regions in particular overshadowed inequality between capital and labour. Indications are that the new, regionalist cleavage structure, being more complex than a bipolar class structure, is more difficult to hold together for central governments especially of large states. Perhaps it is why large states seem to be becoming more authoritarian today – see China, Russia, India, Turkey and, perhaps, the U.S. Where an authoritarian response to regional separatisms is more difficult or rejected by the citizens, democratic nation-states and international technocracies are challenged to devise less repressive answers to regional demands for autonomy or, indeed, sovereignty.

The desire of national and subnational societies to go it alone may be seen as a communitarian response to the neoliberal competition regime that has neutralised the postwar welfare state. While neoliberalism pure and simple places the individual in its centre, the hope of the new populism is for social collectivities cutting themselves lose from a centralised state structure that has answered capitalist stagnation with more capitalism. Collective separatism, or autonomism, asks for a chance to build or utilise communal solidarity within extended markets and turn it into a source of economic strength; for this it needs a more decentralised political organisation, as opposed to internationalist technocracy. I will return to this at the end of this lecture.

Today ‘populism’, especially of the Right, has become the most effective opponent of the ‘European project’, as embodied in the European Union and, in particular, its common currency. In response populism is declared by ‘pro-European’ governments and their supranational instruments a threat to European peace and prosperity that must be excluded from political influence both nationally and internationally. ‘Populist’ demands to preserve and restore the nation-state as a site of social protection and economic redistribution, or to break it up into smaller-scale ‘real’ nation-states, are countered by calls for accelerated economic and political ‘integration’ (Merkel), a ‘sovereign Europe’ (Macron), a ‘United States of Europe’ by no later than 2025 (the defeated Chancellor-candidate of the SPD in 207, Martin Schulz), the ‘completion’ of monetary union through compulsory membership of all EU member states (Juncker) and the like. Arguments in favour of more unified and centralised European government range from the claim, made by or offered to the liberal Left, that in a global economy democracy can be saved only if it is internationalised, to assertions that more ‘integration’ is needed to fight ‘terrorism’, especially in the Middle East and in formerly French Africa, as well as to defeat authoritarianism, racism and fascism in Europe itself, certainly in Eastern Europe but also elsewhere, not least in Germany. It is also claimed that only a united Europe can either secure its external borders against immigrants or, alternatively, admit more immigrants by forcibly distributing them among member countries; and that a strong U.S. of

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5 On ‘globalization’ as a means to eliminate the – potentially democratic – nation-state from the governance of the capitalist economy, see Quinn Slobodian, Globalists: The End of Empire and the Birth of Neoliberalism (Harvard University Press 2018).
E. is needed to prevent the two rivalling superpowers, the U.S. of A. and China, either getting at each other’s throats or dividing the world between them, in the process eliminating from world history the uniquely enlightened and democratic culture of ‘Europe’. Unfortunately I cannot address all these points. Before I turn to why small political size and distributed sovereignty may not be a bad idea, especially in a global economy, I will take on one main claim of the advocates of ‘Europeanization’, which is that the nation-state is a historically discredited and politically dangerous form of political organisation that needs to be dissolved into a less parochial, internationalist political construction for the sake of peaceful coexistence of the peoples of Europe.

In defense of the European nation-state

One reason why Gibbon believed that the ‘awful revolution’ of the fall of the Western Roman Empire would not repeat itself was that in the Europe of his time an invading enemy would have to put up, not just with one army, but with several of them, each with different, as one would say today, capabilities: ‘If a savage conqueror’, Gibbon writes, ‘should issue from the deserts of Tartary, he must repeatedly vanquish the robust peasants of Russia, the numerous armies of Germany, the gallant nobles of France, and the intrepid freemen of Britain’. Not only might these ‘confederate for their common defence’, but all would be ready for action, being ‘exercised by temperate and undecisive contests’ between them. Probably this referred to the more or less dispassionate, limited warfare among European dynastic states in Gibbon’s time. Obviously Gibbon failed to foresee the fratricidal bloodshed among European states that began with the French Revolution and the rise of nationalism, and continued into the wars of the first half of the twentieth century. A climactic moment was reached when in the aftermath of the First World War the victorious powers, under the doctrine of national self-determination, undertook to subdivide the defeated European empires into presumably homogeneous nation-states. As we know, this gave rise to violent conflicts throughout Europe between national majorities and minorities, the former insisting on the assimilation of the latter and the latter complaining about second-class citizenship, demanding either a state of their own or the right to join a neighbouring state where they would be part of a national majority.

It was only after 1945 that the international bloodshed that followed Gibbon’s ‘temperate and undecisive contests’ subsided. The unconditional surrender of Germany, its dissection into four or five parts, depending on how you count, and the ‘ethnic cleansing’

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8This argument for European unity resembles Max Weber’s call before the First World War for a German Machtstaat, to ensure the survival of German culture in a hostile world. Surprisingly its European version figures not just marginally in the writings of Jürgen Habermas (see Wolfgang Streeck, Vom DM-Nationalismus zum Euro-Patriotismus? Eine Replik auf Jürgen Habermas [2013] 58(9) Blätter für deutsche und internationale Politik 75–92; Wolfgang Streeck, ‘What About Capitalism? Jürgen Habermas’s Project of a European Democracy’ [2015] 16(2) European Political Science 246).

9Which sounds a bit like a premonition of NATO, in particular where Gibbon brings in North America:

Should the victorious Barbarians carry slavery and desolation as far as the Atlantic Ocean, ten thousand vessels would transport beyond their pursuit the remains of civilized society; and Europe would revive and flourish in the American world which is already filled with her colonies and institutions.

But note that Russia, ‘from the Gulf of Finland to the Eastern Ocean’, according to Gibbon ‘now assumes the form of a powerful and civilized empire’ and is therefore included in Europe’s ‘one great republic’.

10Robert Gerwarth, The Vanquished: Why the First World War Failed to End, 1917–1923 (Allan Lane 2016).
of Eastern Europe of its irredentist German populations were one important factor. Another was Soviet-bloc Communism, which where it ruled ruthlessly suppressed all nationalisms except, perhaps, the Russian one. Since then, Western Europe in particular has seen more than seven decades of peace undisturbed by nationalist unrest. In part, this had to do with Western Europeans having learned to distinguish between nation-states and nations, or between political institutions and ethnic communities. All European nation-states are now based on citizenship rather than descent. Unlike what the victors of 1918 believed, it is today commonplace that there can be no full identity between states and ethnic communities. States built on ethnic homogeneity are susceptible to separatism, civil war, racism, foreign intervention, expulsion and genocide, of which Europe has had its fair share. It is still true that some self-identified ethnic communities feel not quite at home in the contemporary nation-states where they have happened to have ended up. But the modern cure to ethnic or regional discontent with inherited state structures is administrative decentralisation, regional autonomy and constitutional federalism. Countries like Switzerland and, since the 1970s, Canada are examples of how to respect and accommodate internal national diversity while preserving nation-state unity and sovereignty. Another example is the regional autonomy statute for South-Tirol negotiated after 1945 between Austria and Italy, which has pacified a literally explosive ethnic conflict going back to the First World War and the pact between Hitler and Mussolini. To the extent that the Alto-Adige settlement causes envy in other parts of Italy, which would also want more autonomy, a more federal organisation of the Italian state might be an effective solution. The same is true for Spain and the UK, countries struggling with regional nationalisms that are apparently not adequately accommodated by an imperfectly federal national state structure.12

As mentioned, one way ethnically diverse nation-states in the postwar period controlled centrifugal forces among their citizenries was by institutionalising conflict as class conflict between capital and labour. Negotiated class compromise between employers and trade unions, and between pro-business and pro-labour political parties, cut across ethnic divisions and thereby re-oriented and ‘civilized’ much of societies’ conflict potential. Moreover, by managing in a protective way the insertion of national political economies in international markets, postwar nation-states under state-managed capitalism built loyal citizenries that identified with them even if they were less than ethnically homogeneous.

11See this way, the term, ‘nation-state’, has become a misnomer in that today the concept may well include multinational states, such as Italy, Belgium, the United Kingdom, Spain and others.

12Regional autonomy within a multinational nation-state can take many and quite different forms. Sometimes, as in the case of Czechoslovakia in 1992, countries may peacefully divorce, but this is an exception; the dissolution of Yugoslavia at the same time involved several civil wars with heavy external intervention. To avoid separation with its high potential costs – imagine only the difficulties of telling apart Spaniards and Catalans after a Catalan secession, or Brits and Scots if Scotland seceded from the UK – ingenious case-by-case solutions may be needed. Think, for example, of the recent discussions between Italy and Austria on dual citizenship for the citizens of South Tirol. Another interesting case is how the CSU as a regional ‘state party’ with a strong presence in the national capital has managed to sideline the strong Bavarian separatist tendencies that existed in the 1950s and 1960s, and continue to exist in some pockets of Bavarian society. (That may end with the ongoing demise of the CSU as one of the parties included in the Merkel government, and old separatisms my again come to the fore.) This is not to say that separatism may not in some cases be better for subnational communities than integrationism. Take, for example, the epic controversy between the two historical leaders of the black civil rights movement in the United States, Martin Luther King jr. and Malcolm X. While the former advocated integration, the latter imagined a separate state for African-Americans. Looking back one might be tempted to think that African-Americans might be better off today had Malcolm X prevailed.
That ethnically based regional divisions regained prominence when neoliberalism abolished institutionalised class conflict and withdrew economic protection from national populations in the name of internationalisation, or Europeanization, should not be surprising.

European nation-states did not disappear under neoliberalism. In fact they continued to play an indispensable part, among other things as re-educational dictatorships teaching citizens to accept global competition as a fact of life, indeed as a moral obligation, and consider national protection as culturally reactionary. Globalism, or ‘cosmopolitanism’, is being pushed as an obligatory cultural attitude, relieving nation-states of responsibilities they can or will no longer discharge, alongside the ongoing restructuring of everyday life in the service of ever higher ‘competitiveness’. Neoliberalism even enlists nationalism for its purposes as it depicts nations as fighting each other for economic advantage in the global economy, with citizens having a patriotic duty to join the fight for the good of their nations.

Today’s populist nationalism, both national and subnational, can thus be understood as a reaction to the neoliberal revolution. The new nation-state nationalism in Europe shares with regional separatism its opposition to market-opening political centralisation: the one fights to prevent, the other to undo it. Both demand decentralisation, one from ‘Europe’ to nation-states and the other from nation-states to subnational regions and communities. In this they oppose the neoliberal restructuring of the nation-state. National nationalists insist that the protective functions of the nation-state be restored, after the promises of neoliberal prosperity for all have not come true. Subnational nationalists, on their part, have given up on the existing nation-state and insist on building new, smaller nation-states of their own, for protection to be restored at what is now still the regional level. Neither of the two seeks to enlarge political jurisdictions: separatist nationalists want smaller units of sovereignty, national nationalists – unlike nationalists in the past – demand that national borders and national sovereignty be respected and reinstated, rather than abolished to make political entities larger.

For the future of the EU in particular this would imply that centrifugal forces are likely to dominate over centripetal ones, at both nation-state and supranational level, making the pursuit of integrated centralisation destructive of Europe’s ‘one great republic’. No EU member country will voluntarily transfer its national state sovereignty to Brussels; in fact many if not all of them have joined the EU precisely to lock in their national statehood. Were the ‘ever closer union of the peoples of Europe’ to become too close, exit would likely result, especially since Brexit, and short of exit fake compliance will crowd.

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13 Note that the new nation-state nationalism is defensive rather than aggressive: it defends the political sovereignty of extant states against transfer to larger, new states, also to protect national cultures against globalist dilution. Examples are countries like Poland, Hungary and the Czech Republic in the European Union. Intervar nationalism, by comparison, was expansive, searching for new Lebensraum, to be cleared of what was regarded as inferior cultures and races. Note that the characterization of the ‘populist’ Right as ‘fascist’ overlooks the fact that none of the parties and movements in question come with paramilitary organisations or with a national Führerprinzip ideology. To the extent that they agitate against parliamentary democracy, they sound less radical than leading liberal proponents of technocratic postdemocracy, who declare democracy to be unfit to ensure national competitiveness in global markets, or to uphold universalistic moral principles.

14 This applies to Ireland in its relationship to the UK, to Denmark vis-a-vis Germany, to the three Baltic states that used to be part of the Soviet Union, to Poland, certainly to Luxemburg, of course to West Germany in the 1950s etc. For the general point see Alan Milward’s book, The European Rescue of the Nation State (Taylor and Francis 1992).
out *bona fide* cooperation.\(^{15}\) Forced unification – centrally mandated cultural or economic ‘reform’ – will result in national sovereignty being reactivated for nationalist resistance, undermining whatever Europe unity may over the years have been achieved on a voluntary basis. Moreover, dreams of integrated democratic European statehood forget that large political size comes with high political heterogeneity and must therefore be paid for, in order to be sustainable, with decentralisation – the larger a state, the more so. This should hold in particular in Europe where older traditions of national statehood would have to be bargained away in the course of supranational state-building. In a U.S. of E., democratic-majoritarian government would therefore inevitably be located deep down in an institutional hierarchy of governance – at the level of the former nation-states now turned into federal states – while democracy at the central level will, and can only, take a consociationalist, non-majoritarian, and this means national essence: not very redistributive form.

National autonomy in a cooperative international order would have to allow democratic nation-states to defend their societies and their politics against ‘unfair’, meaning socially disruptive, economic competition, with tools of their own rather than depending on the benevolence of lead nations or supranational bureaucracies. One such tool is devaluation of national currencies, where such still exist, as a way of politically correcting market-driven international disparities in economic ‘competitiveness’.\(^{16}\) Devaluation as an economic policy tool becomes particularly important if economically superior countries are unwilling or unable to come up with effective regional-international development or internationally redistributive social policies. Political self-help by way of an autonomous monetary policy could be regulated under a cooperative international regime, of the kind of the Keynesian Bretton Woods economic order. The same applies to national protection in international trade. It is increasingly recognised as a myth, spread by interested parties,\(^{17}\) that free trade ultimately benefits all members of all participating societies, allowing and indeed obliging governments to let the international market do its work. It is in particular a myth that global liberalisation of trade benefits so-called ‘developing countries’ if, for example, it prevents them from protecting local financial institutions, local subsistence agriculture, or local employment in small and medium-sized firms. Increasingly, leading economists are putting forward concepts like ‘globalization à la carte’ and ‘responsible nationalism’\(^{18}\) as guideposts for a future international trade regime, after the failure of the WTO and TTIP, in which national protection has a legitimate role.\(^{19}\)

\(^{15}\)As, for example, in European social policy. See the up to now only encompassing study of national compliance, or non-compliance, with European legislation in this field by Gerda Falkner and others, *Complying with Europe: EU Minimum Harmonization and Soft Law in the Member States* (Cambridge University Press 2005).

\(^{16}\)Wolfgang Streeck, ‘Why the Euro Divides Europe’ (2015) 95 *New Left Review* 5–26.

\(^{17}\)For a long time under the leadership of the United States, where capital felt less than elsewhere bound by the concessions it had been forced to make to labour under the postwar settlement. Now that the domestic victims of American free trade policy have elected as President someone who has promised them national protection, the global free trade regime has come under pressure.

\(^{18}\)Dani Rodrik, *Has Globalization Gone Too Far?* (Institute for International Economics 1997); Lawrence H Summers, ‘Voters Deserve Responsible Nationalism Not Reflex Globalism’ *Financial Times* (London 10 July 2016); Dani Rodrik, *Straight Talk on Trade: Ideas for a Sane World Economy* (Princeton University Press 2018).

\(^{19}\)Generally on the failure of neoliberalism see, out of the heart of darkness of economic globalism, the IMF, the surprising paper by Jonathan D Ostry, Prakash Loungani and Davide Furceri, ‘Neo-liberalism: Oversold?’ [2016] 53(2) Finance & Development, Among the large number of recent books that defend the nation against the International as a political institution see Patrick J Deneen, *Why Liberalism Failed* (Yale University Press 2018), William Mitchell and Thomas Fazi, *Reclaiming the State: A Progressive Vision of Sovereignty for a Post-Neoliberal World* (Pluto 2017) and John B Judis, *The Nationalist Revival: Trade, Immigration, and the Revolt Against Globalization* (Columbia Global Reports 2018).
It should also be noted that national interests and national state traditions have always been alive and well inside the European Union. ‘European’ rhetoric on the ‘European project’ and the ‘European idea’ is inevitably nationally coloured. Its exact meaning is therefore difficult to understand across national borders as it both reflects and hides different strategic purposes that can easily get in conflict with each other and therefore need to be carefully and discretely handled by expert diplomats. In fact membership in the EU is itself a matter of national interest, as domestically defined; where it is not or no longer, countries stay out (e.g. Norway or Switzerland) or resign (the UK). Brexit will make France the EU’s sole nuclear power and its only permanent member of the United Nations Security Council, adding to its claim to European political leadership, as forcefully renewed by its current President. Postwar Germany, by comparison, has deliberatively foregone any such claim, hiding its restored economic power in international institutions the running of which it used to leave to other countries. The latter include in particular France, which after 1945 has considered it in its national interest to tie what had remained of Germany into a (French-dominated) European political system and, importantly, turn German economic prowess into an asset for (a French-led) Europe. In both countries, Europeism builds on and hides nationalism, in Germany where integrated Europe, and especially the common European currency, ensures access, without military conquest, to captive European markets, in addition to giving the country an artificially depressed exchange rate in markets outside of Europe. For both, Germany and France, the European Union has kept potentially disruptive tensions between them in check, as long as the demands they made on each other were not excessive. Today, French pressures for Germany sharing with ‘Europe’, in particular with France, the fruits of its superior economic ‘competitiveness’, by way of European fiscal ‘solidarity’, meet with a new domestic politics in Germany that significantly narrows the government’s concession space, in the same way as Italy under Renzi could not deliver the neoliberal domestic reforms demanded by Germany and the Eurozone. This list can easily be extended to other countries and their respective national interests.

Good to be small?

Promises of a restoration of the democratic class compromise at supranational or international, let alone global level are illusory. A supranational labour movement would have no organised counterpart on the side of capital, nor is there a state in global society ready and able to force global capital to organise. Today the overriding concern with the design of ‘sovereign’, in the sense of autonomous, political jurisdictions is their size and the way they are linked into their environment, and ultimately into the global political economy. Here, the tendency seems to be toward exploring the benefits of small political scale and distributed sovereignty. This is not an entirely new phenomenon. Even before ‘populism’, there was no case in postwar history of two or more nation-states voluntarily relinquishing their sovereignty to form a supranational superstate.20 In fact, the number of independent states under international law has grown since the end of the

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20Thus Italy, Spain and Portugal failed to merge into Latino-Mediterrania, just as Norway, Sweden, Denmark and Finland abstained from forming Greater Scandinavia, and Estonia, Lithuania and Latvia never considered dissolving into East Baltic. German unification is not an exception as in this case the result was, not the creation of a supranational state, but the restoration of a nation-state.
Second World War from about 84 in 1950 (of which 60 were in the United Nations) to 196 in 2017, among them 193 UN members. Major forces behind this were de-colonization and, later, the break-up of the Soviet Union, the last European empire, and Yugoslavia. Importantly, most of today’s states are small; in 2010 their median population size was around 8.4 million.

Why could it make sense to be small? Ceteris paribus, small states have more homogeneous societies; they externalise heterogeneity into their inter-state, international relations environment where there is little to no pressure for ‘integration’ in the sense of assimilation and where tensions can perhaps be handled more equitably and less passionately. Small states can also be more democratic: problems of consensus-building under social heterogeneity are avoided, decision times are likely to be shorter, so is the distance between citizens and governments, and the results of political participation are more immediately felt. Cultural homogeneity and high political responsiveness support egalitarian values and social cohesion, and citizens experience the national polity as a community-of-fate seeking survival in an environment it cannot hope to control. (This is in large part how the ‘Swedish model’, including the combination of female full employment and national natalism, evolved in the 1930s.) In an environment like this, sovereign political communities depend for their existence on international peace more than on anything else. This is why small states tend to be strong supporters of international law and peace-keeping international organisations. In fact they contribute to peaceful international relations already by being small themselves as they cannot be seen as a threat by their neighbours.21

Economically, small states are more likely than large states to forge cooperative alliances between domestic capital and labour, as Peter Katzenstein in his book Small States in World Markets pointed out already in 1985. Typically such alliances are productivist rather than protectionist, in that they seek to escape from head-to-head international competition by locating themselves in international market niches where they can collect a rent for being, ideally, the only game in in the global market town. It is here in particular that political scale may affect economic strategy, rather than the other way around. Small-state governments may support industrial niche-building by providing for an infrastructure particularly suited to the sectors in which their economies, assisted by national industrial policy, choose to specialise. This governments can do because the number of sectors in which a small political economy can become an international leader is necessarily small. The objective would be to focus the national economy on two or three sectors that stand particularly to benefit from national conditions such as location, climate, language, industrial traditions, educational and research facilities, and ‘patriotic’ social cohesion. Sectors of this kind would find it hard to relocate to other countries as they would be unable to take with them essential preconditions of their productive performance. By developing a unique, non-price competitive production system and product portfolio, supported by the full policy toolkit of a sovereign nation-state, including importantly the freedom to vary or let vary the exchange rate of their currency, small political economies would make defensive protection from market pressures dispensable through the comparative advantages created by a customised physical, regulatory and social infrastructure.

21 Small states might in an ideal world also supply military forces needed for ‘humanitarian interventions’, making it possible to exclude from then large Machtstaaten with the usual economic or geo-strategic side-interests.
Compare this to large nation-states, which are too large to specialise on a few strategically selected sectors. As a sectorally specialised economy could not absorb the entire population of a large country, it would come with unemployment and high inequality, which would place a heavy burden on social cohesion and solidarity in an era when internal redistribution has become ever more difficult due to rising competitive pressure and declining taxability. Industrial policy would therefore have to remain generalist as sectors with very different needs would simultaneously have to be attended to. This would make it impossible to give preference to and promote sectoral ‘champions’ enabling them to exploit their growth potential to the fullest possible extent. To the extent that industrial policy for a global market needs to be customised to individual sectors in order to be successful, large states are therefore likely to have no particular industrial policy at all.

Sectoral specialisation is not without risk as a country embarking on it would, as it were, put all its eggs in one or two baskets. Should these break, the entire country might go broke as a result. An example might be 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 reorganised its education system to fit the needs of its fast-growing telecommunications sector, Finland went into a severe 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 joined the euro, depriving it of the possibility of supporting structural adjustment by monetary policy, assisting or replacing internal with external devaluation. Other sectorally specialised small nation-states, like Norway, Denmark, Sweden and Switzerland, that have retained their national currency fared a lot better and continue to combine superior performance in global markets with relatively strong democracy and a relatively high degree of equality. The case also shows that it helps if sectoral specialisation is based on an industrial organisation of small and medium-sized firms, rather than turning a country into something like a company state.

**Destructive competition?**

One issue at least remains where Gibbon’s emphasis on the salutary effects of a decentralised state system, and in particular the competition it unleashes between political jurisdictions, may meet with skepticism. Unlike the Roman Empire of old, where the borders of the one-and-only state were identical with the borders of civilised society, a plurality of states embedded in a common culture enables citizens to exit one state and join another if voiced objections to bad or adverse government remain ineffective. This idea Gibbon shared with Smith, whose memory we honour in this lecture. Both Gibbon and Smith were profoundly suspicious of states, then mostly monarchies, as these in their view inclined to despotism and waste. The best way to tame them, in their view, was by having more states and making them compete with one another. Smith had convinced Gibbon that the Western Roman Empire had ultimately collapsed because it had over-taxed its citizens, who could not escape because of the Empire’s monopoly on civilised social life. In the fragmented state architecture of the European ancien régime, and with the transition to new, eminently transportable kinds of wealth – in other words, with
the arrival of capitalism – this had become different, and so Smith, in a famous passage in *Wealth of Nations* (Book V, Chapter II, Part II, Article II), could introduce mobility of capital as an effective means to rein in governmental despotism:

The proprietor of stock is necessarily a citizen of the world, and is not necessarily attached to any particular country. He would be apt to abandon the country in which he was exposed to a vexatious inquisition, in order to be assessed to a burdensome tax, and would remove his stock to some other country where he could either carry on his business, or enjoy his fortune more at his ease.

Today, as the monarchies of early modernity have given way to democratic nation-states, in a long and painful process, we must see tax evasion, or tax ‘optimization’, facilitated by competition between states for taxable income and wealth, with different eyes than the anti-authoritarian liberals of the pre-revolutionary eighteenth century. After all we expect more of our governments than simply that they do not steal from us: we want them, with our consent and with financial means that we provide, to organise social security, education, an effective physical infrastructure and the like. If a society’s economic capital – its ‘stock’ – can at will be relocated to a political jurisdiction that abstains from imposing on it a ‘burdensome tax’, this must appear to us as a freedom of the few paid for by the many, in the form of insufficient public provision or higher taxes.

The question is, however, if this can be an argument for a return to the political scale of the European superstate that went under in the fifth century CE. Would the gains from the elimination of intra-European tax competition outweigh the lost benefits of decentralised responsibility and distributed intelligence, or the costs of overcentralized government with its one-size-fits-all policy recipes, as illustrated by the never-ending crisis of the common European currency? The European Union was unable even in its best of times to prevent its member states from competing for an increasingly mobile tax base – see the British Channel Islands, Luxemburg with its myriad of letter box firms and the Netherlands as a tax paradise for global company headquarters, not to mention non-members such as Singapore or Liechtenstein. However big a new European superstate would become, today there would always be a world beyond its borders eager to welcome European capital fleeing European taxes, unless controlled by international agreements negotiated among sovereign states.

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22 Gabriel Zucman, *The Hidden Wealth of Nations: The Scourge of Tax Havens* (The University of Chicago Press 2015).
23 This, essentially, is the problem with Thomas Piketty’s ‘universal wealth tax’. Thomas Piketty, *Capital in the Twenty-First Century* (Harvard University Press 2014).
24 Another issue emphasized by advocates of supranational centralisation is military security. Large size carries a rent in international affairs; while small countries may be unable to defend themselves against large predators, large countries may by their sheer size deter military aggression or non-compliance with their interests and wishes. As far as the Europe of the EU is concerned, its most critical security problem today may be the approaching global conflict between the United States and China, the declining and the rising global hegemon, whose peripheral zones of interest are increasingly extending into each other, from Eastern Europe to West Africa. Can Europe insert itself into their rivalry as a third player? Here, too, we must proceed from where and what we are: a collection of nation-states with different national interests and military capabilities, among them two nuclear powers, or just one post-Brexit, and a Germany profoundly averse to military adventures of any sort. Could this Europe build truly united military forces and agree about where to deploy them and what for? Complicating the matter is Russia which, no less than Western Europe, needs to find a place for itself in the emerging new world order, to avoid being sandwiched, or sliced up, between the two main power centers. Perhaps Russia should join, and be allowed to join, Europe, in order to form together with it a credible third power? Probably East Europe, including a country like Ukraine, will prefer being on the American periphery over being part of a Europe that includes and needs to accommodate Russia. No indication here, either, that centralised unity would be beneficial for Europe and its state system, apart from the question of whether it could at all be achieved.
By way of conclusion

I conclude by noting that the benefits of large size political rule tend to be oversold while its costs, including the political capital that has to be spent on instituting encompassing and centralised institutions of governance in the first place, are typically downplayed. There are reasons for being big and for being small, but today the balance seems to be tipping in favour of a political architecture a la Gibbon and Smith that is subdivided and decentralised. Political scale is not a matter of rational design, or not primarily, but one of historical evolution; in thinking about how we may best be governed in future we must start from how we are governed today. This includes the historical coincidence of the return of the question of political scale with the neoliberal revolution. Trying out small size, distributed sovereignty, more direct democracy, greater popular responsiveness of government and, above all, sectoral specialisation as an alternative to centralised technocracy and individualised competition may not be a bad idea under present circumstances where otherwise communal solidarity would be at risk of being overwhelmed by ‘market forces’. Drawing on communitarian social cohesion as a way of positioning oneself in a competitive global economy may be a reasonable compromise between outright protectionism on the one hand and complete submission to neoliberal global governance on the other. There is in any case no panacea guaranteeing individual or collective survival in a global capitalism in turmoil; all sorts of things can happen, and on what future to bet, if at all, is uncertain enough to justify some experimentation.

As to Gibbon’s ‘great republic’ of Europe, I believe that the current, increasingly powerful resistance to centralised political rule is far from irrational. A supranational European state could not reduce but would to the contrary normalise and reinforce economic inequality, between regions as well as classes. Regarding democracy, it would strengthen the secular trend toward a market-universalistic re-engineering of communal life that is today considered the precondition of capitalist progress; it would finally enthrone the post-democratic manufacturing of consent by way of a content-empty, disembedded, synthetic-sentimental public discourse; and it would have to overrun localised ways of life demanding respect and a chance to develop on their own. That a European superstate will never come to pass I do not necessarily find reassuring since already the attempt to get there must have disastrous consequences, for both democracy within participating countries and the relations between them. In light of this, looking at the intermediate future, I consider it urgent for Europeans to understand that if ‘the uniting of Europe’ is not to disunite it, a place must be found for a re-empowered democratic nation-state in a cooperative architecture of international relations in Europe and beyond. In short, under the circumstances of today, the better arguments seem to be on the side of the ‘populists’, and it is only right to give their vision of more local autonomy for smaller units of political sovereignty a hearing. Times are tough, and choices are tricky. In conditions like these, the German saying applies according to which a sparrow in hand is better than a pigeon on the roof, and we may add: especially if that pigeon may turn out to be a starving imperial eagle.

25Ernst B Haas, The Uniting of Europe (Stanford University Press 1958).