overeignty without Borders: On Individual Rights, the Delegation to Rule, and Globalization

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SOVEREIGNTY WITHOUT BORDERS: ON INDIVIDUAL RIGHTS, THE DELEGATION TO RULE, AND GLOBALIZATION

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Abstract

Just as medieval municipal republics surrendered to national sovereigns in the past, incumbent states may be replaced in the future by an alternate, global public order. Citizens and merchants would obtain more equal rights, better market infrastructures, and a more efficient provision of public goods at all levels of government, from the local to the global. This proposition is supported by an agent-based, incentive-compatible model where individual rights—economic and political—are established within an ongoing bargain with rulers. Enfranchisement then shapes the autonomous dynamics of civil society and markets and, over time, allows for feedback of preferences into the core bargain on rights. Globalization results from a capacity to trade and associate that extends far beyond home jurisdictions, yet on the basis of differentiated franchises. In this representation, the world is anarchic, pluralistic, unequal, and growing. Although it is no longer state-centered, long-term change is driven by the attempts and failures of states to establish a more coherent normative infrastructure and to respond to new social demands. From this account, we derive four scenarios of global reordering, among which maximal integration would see the classical nation-state split into two parts: a decentralized, federal structure of government; and a unified legal order that would warrant equal rights and generalized open access throughout the world.

Keywords

Constitutional Rights, Economic dynamics, Vertical bargaining, State, Global reordering, Legal order, Public Bureaucracies

1. Introduction

The literature on the emergence, growth, and possible decline of the "Westphalian order" exhibits two strongly opposed viewpoints. On the one hand, there is no lack of publications that explore the many ways in which states are losing their resources and legitimacy. Fiscal competition, forum shopping, and social dumping are common examples and often are cast as illustrations of how sovereignty is progressively drained or parceled out. For many authors, these trends foreshadow, or parallel, a crisis of political representation and the emergence of an increasingly vocal (though possibly ineffectual) international civil society. On the other hand, most specialists in international relations (IR) and in the theory of the state proclaim that states are here to stay. Whether realists or constructivists, historically minded or more attuned to public choice, in their view states will remain the highest level of political authority: states will continue to subsume street-corner society but without being subsumed by a more global order. In this view, sovereignty—rather than being fragmented and instrumental—is constitutive and so may never be fully relinquished.

This article takes stock of the pluralistic environment in which states now operate, and on the basis of a constitutive definition of sovereignty it challenges the assumption that states cannot be voluntarily abolished or merged.

Our argument is based on a concept of *domestic sovereignty* that is founded on a long-term, open-ended bargain between citizens and their government: the commitment to abide by common rules and to pay taxes is negotiated against a set of enforceable individual rights—for example, physical and social security, property rights, or access to education. Sovereign delegation from citizens therefore constitutes a political order. If the covenant is tested and credible, then citizens may increase its size and benefit from a long-term extension of their capacity to exchange, invest, organize, and mobilize. And as their interests and preferences evolve with the division of labor, they may feed back dynamically into the bargain on sovereign delegation.

Yet the delegation extends only within a bounded, domestic domain. This is where the franchise applies in its most comprehensive way, though not in an exclusive one. Citizens may still trespass a state's borders, trade across them, exchange ideas, or even emigrate. Hence, individual franchises that are negotiated and established locally also support the extension of the international division of labor, but the latter may ultimately expose the spatial limits of the initial, local delegation.

A classical example is how independent, medieval trading cities or French provinces were progressively abandoned in early modern times: merchants negotiated settlements with larger states that eventually endowed them with more rights, stronger enforcement guarantees, and better market infrastructures. Similarly, today's domestic bargain between states and agents has endowed the latter with a unique capacity to leverage their rights across borders. They may now develop a business in Brazil, take a job in Japan, continue to vote in Spain, and support the Agha Khan foundation or a Mexican country school. A great many less enfranchised individuals also leave their provincial, often miserable villages (or slums) and try to relocate north of Rio Grande or the Strait of Gibraltar. These various trends indeed summarize a fair part of what "global governance" is about.

Governments do much to support and regulate the new transnational behavior of individuals, thanks mostly to horizontal agreements and ad hoc mandates given to intergovernmental organizations (IGOs); private rules and organizations also play a large part in international affairs, civic and economic. Still, the efficacy of these approaches is bounded, which is one reason why national governments are so often criticized by their own citizens for their failure to address adequately the new demands for global rights and policies. Indeed, the present international order presents massive inequalities and is clearly inefficient in terms of policy making. Moreover, the erosion of states' capabilities exacerbates the sense of a decline in the inherited domestic alignment between territorial states, liberal polities, and national economies. This situation suggests that future citizens and

merchants may no longer be satisfied to either bargain with their national state or bypass them when their policy demands are not adequately satisfied. Over the long run, they may take a more radical turn and re-convey their core delegation to a supranational authority that would offer a preferred set of rights and public goods.

Such a shift would trigger a major reordering of the world scene, both economic and political. The principles that define domestic sovereignty would be extended and unified across nations, so that basic individual rights would be established by a worldwide jurisdiction. Meanwhile, the task of providing public goods might be reassigned from the local to the global level, following social preferences, the cost of heterogeneity, and efficiency concerns. Thus, the defining pattern of this global order is that the state as a historically contingent figure would be split between a unified legal order and a decentralized (i.e., federal) government. However, we offer no determinist argument nor make a teleological claim; we only argue that there are practical, incentive-compatible roads that may lead to such result.

This model also aims for maximum parsimony in describing political orders, how the social division of labor interacts with them, and how economic and civic interests are shaped. In particular, we do not discuss cultural or communitarian factors; rather, we consider them to be "written into" social (hence local) preferences and the basic rights negotiated with rulers. On the other hand, we do not address how external security threats may bear on domestic delegation and contribute thereby to the overall evolution of states.[1]

The article is organized as follows. Section 2 describes how this contribution fits into the existing literature on states, globalization, and the evolution of the international order. Section 3 presents our agent-based, bottom-up analytical model, which describes how political orders (or states) are formed and how they may evolve and merge. Section 4 then identifies the principal forces serving to drive or hinder a global redistribution of sovereign contracts. Four global scenarios are examined in Section 5, the last of which includes full delegation without borders. Section 6 concludes.

2. Related Literature

Another way of introducing this article is to start from the prime influence on our notion of citizens' delegation—namely, the classical contractual theory of the state as developed by Hobbes, Locke, and Rousseau. Beyond their many differences, these authors all defend the notion of a state that protects its citizens against war and aggression, as Realists are wont to recall. But in their view the state should also guarantee property rights and contracts, as New institutional economics point out. Then, the sovereign establishes the possibility of markets, entrepreneurship, and (following Locke) extended civil association.[2] The state is concerned not only about government and the leveraging of executive powers but also about civil society and individual rights. Most contemporary perspectives still view sovereignty as embracing both political agency and the trusteeship of private rights and civil liberties. Our discussion will largely revolve around these two problematic dimensions of sovereignty and how they may extend internationally.

The limitation of most "contractual" literature on sovereignty and state building is that it clings to the viewpoint of a closed society. Rather than proposing a clear view of how borders are negotiated, constructed, and possibly displaced, this literature usually considers them as given and hence exogenous. At the other extreme, traditional IR theorists focus specifically on the relations between rather compact, self-contained, rational state actors. For such theorists, sovereignty is primarily an international concept based on force, mutual recognition, or rules. When challenged to offer a complementary concept of "domestic sovereignty", they usually mention such principles as "final

1 Buzan and Little (1996), Herz (1957), Waltz (1979); see also Tilly (1990).

2 North (1990), North and Weingast (1989), Oström (1990).

authority", "legitimate violence", or "the claim to self-government".[3] However, these notions are not definitions so much as outcomes (or expressions) of sovereignty. They also tend to be static and/or ahistorical, and they often suggest a rather discretionary—if not threatening—notion of government.[4] What is missing in this account is how the domestic "authority" and "legitimacy" are actually institutionalized, legitimized, and possibly renegotiated as well as how they affect the interaction between the domestic and the international.

This same puzzle arise when one considers how economists envisage internationally similar, welfare-maximizing micro-agents and then frame states primarily as an external source of transaction costs (via tariffs and nontariff barriers). Economists have developed various spatial concepts, but they typically have no interest in a self-standing concept of sovereignty or in the rights by which agents actually trade. Conversely, as they envisage how sovereign states interact, most IR theories, not only the realist school, rarely reference individual agency, economic or otherwise. At most they consider the *collective* interest of individual agents as expressed by, for example, ad hoc and presumably benevolent representative institutions.[5] So both the economic and the IR approach have difficulty articulating the relation between individual behaviors and sovereignty. Either individuals dominate and sovereignty dissolves, or sovereignty dominates and individuals are indiscernible. This blind spot contrasts intriguingly with the common principle whereby liberal states (at the domestic level) guarantee private and civic rights. Should we conclude that agents become completely different social constructs upon exiting their home state? Or that they suddenly fall back into some state of nature?[6]

This paper is built on the premise that a *domestic* concept of sovereignty—one based on a logic of delegation—should help us escape this dilemma. Thus, we consider how governments and citizens negotiate on rights and taxes at the domestic level before we envisage how they might then act and transact at the international level. In other words, the rights, resources, and capabilities of individuals and states are "carried over" from the domestic realm of delegation onto the international or global scene, which is therefore both plural and profoundly unequal. Even if all economic agents are rational and act intentionally, their endowments of rights and capabilities are de facto different; therefore, agents do not have the same capacity to valorize their resources on international markets. For example, Canadian and Bolivian merchants are not equal as they compete on international markets, neither are their respective governments as they try to further their interests in any given IGO.

Our model, then, consistently accounts for private and civic action on the international scene while preserving a distinct anarchic pattern: the international domain is explicitly defined as not being regulated by any sovereign authority. The point is that anarchy is not observed exclusively in the relations among states. It is also present in the way agents behave and interact—whether domestically (among equals) or internationally (among unequals).

These broad premises allow one to endorse the main theses of the Liberal school in IR. In this view, states exhibit domestically defined preferences stemming from the social division of labor; a state's international actions reflect how it is established domestically;[7] and private or civic agents may enter the international scene and then feed back into the domestic polity. We agree to these

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3 Krasner (1999) identifies four dimensions of sovereignty: legal, Westphalian (exclusivity on a territory), interdependent, and domestic. The last one is defined solely by reference to internal political organization and state authority.

4 The Realist notion of domestic solidarity falls directly under Maritain's (1950) radical critique that "we must discard the concept of Sovereignty, which is but one with the concept of Absolutism." In any case, Maritain envisaged sovereignty not as something represented by a parliament but rather more like the collective will à la Rousseau.

5 As summarized by Moravcsik (1997): "Representative institutions and practices constitute the critical 'transmission belt' by which the preference and social power of individual and social groups are translated into state policy.".

6 Kratochwil (1986) however suggests the possibility of « *the manipulation of the function of boundaries through untying the bundle of rights conventionally associated with full territorial sovereignty*.". But he does not elaborate on this.

7 Indeed, liberal and despotic governments should not be expected to behave similarly at the international level. See Moravcsik (1997) for a statement of the Liberal position (also see, e.g., Gourevitch, 1996; Milner, 2006).

propositions and add the parallel capacity of agents and rulers to act on their own, domestically and internationally, even as they are conjoined by their domestic bargain on rights and delegation.

However, these propositions set us squarely against three broad, alternate approaches. First, we contradict the many authors[8] who envisage sovereignty as a mere bundle of rights, capabilities, or discretionary options that may be ceded, on a case-by-case basis, for marginal cost–benefit considerations.[9] Although most of the empirical evidence they rely upon is not in dispute, we can still argue for a concept of sovereignty that is *constitutive* of domestic political orders yet does not impose a state-centered representation of the global scene. Second, we often converge with Alesina and Spolaore in *The Size of Nations* (2003) as they discuss how the size of states is shaped by inter allia trade, economies of scale in the production of public goods, and social preferences. Yet they adopt the traditional economic perspective and view utility-maximizing agents as being naturally endowed with identical rights and franchises, which are thus completely independent of any political order or sovereign covenant. In fact we propose to endogenize individual franchises thanks to a more developed representation of the state, based on the logic of delegation.

Third, we contradict the Constructivist paradigm. Alexander Wendt, for instance, confronts the Realists with an interactive view of the international scene and with a differentiated representation of individual states whose behaviors are shaped by their mutual interaction and by their desire for cultural or communitarian recognition.[10] In fact, both this communitarian aspect and the internal aspects of state identity are given and static. For Constructivists, a state's identity does not evolve from domestic dynamics and hardly allows for nonstate or individual agency. The same limitations apply to Wendt's (2003) model of transition to a world state. Unlike Wendt, who makes the teleological assumption that change is driven by the tough interaction of states, we devise a model that is anarchic, agent-based, and open-ended. And whereas Wendt views domestic sovereignty as a structure of authority, we formalize it in terms of rights and enfranchisement. For us, then, sovereignty, states, and individual rights are social and historical constructs that can evolve and wane over the years depending on domestic and international circumstances; they are neither metaphysical concepts nor hypocrisies.[11]

3. Analytical Model

3.1. The Logic of Delegation

We start from a straightforward, agent-based, institutionalist approach to describing political orders. Life in society entails coordination needs; in order to meet them, members may jointly delegate authority and resources to specialized agents, to trustees, or to governments. The potential benefits of such delegation allow agents to justify waiving some economic resources and discretionary capacities, although this means forgoing some future first-best options. Thus, renouncing individual discretion is empowering in the sense that extended exchanges become possible because of social pacification and

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8 Despite their many differences, examples include Fassbender (2007), Ferguson and Mansbach (2007), Czempiel and Rosenau (1989, 1997), Ruggie (2004), Sassen (2006), and Slaughter (1995, 2004). On the political philosophy background, see Hinsley (1986) and Klein (1974).

9 As argued in Stone Sweet (1994), "From a normative perspective, [sovereignty] no longer exists."

10 Compare Osiander's (2001) conclusion regarding the experience of the post-1648 German Holy Empire: "They … existed exclusively because of collective and mutual empowerment, which in turn was based on a shared, rather elaborate code of structural and procedural legitimacy …. As well as a system of empowerment, the empire was therefore also a system of mutual restraint." See also Reus-Smit (1997), Ruggie (1998), Wendt (1992), and Wendt and Duvall (1989).

11 See Biersteker and Weber (1996) and Krasner (1998, 1999). We clearly disagree with the introductory essay in Hawkins et al. (2006), which remarks on the "considerable overlap" between delegation from citizens to states and from states to IGOs. In the same volume, Hathaway (2008) shares this perspective.

the establishment of common rules that apply to a wide social spectrum. This is the underlying paradox of the contractual theory of the state: enfranchisement is founded on delegation and renouncing opportunities, yet it supports civic participation and enrichment.

As social integration and decentralized exchange increase, delegation becomes more difficult to design, negotiate (or renegotiate), and administer. A classic problem is how to prioritize competing preferences and simultaneously address the underlying issues of distributive justice. Condorcet and Arrow famously established that, in a pluralistic society, the nontransitivity of preferences requires that a "benevolent dictator" be given authority to rank priorities (i.e., to establish the "common interest"). In principle, regulating this power is a core element of the delegation contract, which should address all problems of contestability, accountability, and legitimacy.

Safeguards against capture and extortion may take the canonical forms of parliamentary representation and reverse commitments entered into by the ruler (e.g., signing a Bill of Rights). Complementary options are mechanisms of checks and balances, such as a division of powers à la Montesquieu, a federal constitution, a meritocratic bureaucracy, or delegated regulation (as in the case of a central bank). Note, however, that this constitutional vocabulary should not be taken too literally. Delegation can be informal, it needs not emerge from a founding pact, and its evolution can be piecemeal, gradual, and uneventful. For instance, the "feudal constitutions" of medieval Europe were not summarized in a single coherent text, yet they created expectations regarding future behaviors and the sanctioning of wayward behaviors.

The set of rights and public goods agreed to in the delegation contract is the main determinant of agents' actual capacity to associate, contract, and compete. Standard examples include the right to sell land, establish corporations, create civil associations, and organize trade unions. Indeed, rights are empowering and—if sufficiently extensive and well enforced—may strongly affect the long-term dynamics of the division of labor, both social and economic. Hence, if the production of public goods is efficient and if constitutional commitments are credible, then the "policy content" of delegation may grow over time: the individual franchise will increase, more public goods will be offered, and welfare growth may follow. In the best cases, economic growth and adhesion to the social order may become mutually reinforcing. The hard game of a market economy and the extended reach of lawmakers would be legitimated by the huge collective benefits that result from a high-powered political compact.

However, commitments and safeguards may be absent, or they may not actually bind rulers, or they may not be sustainable over time. Individuals in such circumstances may thus shirk or exit, or they may withdraw delegation or limit its scope. Hence, even though everyone would be better of with more rights and better policies, the transfer of resources and authority to the state will remain narrow and the consequences on welfare will be adverse. We label such political orders *despotic*, as opposed to *liberal*, and next we discuss these orders in more detail.[12] Later we show how this opposition informs our understanding of the present world order and its possible evolution.

3.2. Individual Rights and Societal Integration: Despotic versus Liberal Orders

The defining characteristic of a despotic order is that *inequality* of rights is built in to the structure of the delegation contract. Hence there are systematic asymmetries in access to organizations, markets, and public goods as well as, more generally, to sources of income and influence.[13] This state of affairs

[12] See Authors (2010) for a more detailed analytical discussion of this "constitutional model" of economic development.

[13] The notion of a "despotic regime" is somewhat dated and possibly Eurocentric. Starting with Montesquieu, despots have often been implicitly or explicitly oriental and non-Christian—an intellectual legacy still present in the Weberian notion of a "sultanic regime". Others might have preferred to contrast "liberal" with a different antonym, but we chose "despotic" because it clearly includes both economic and political dimensions and (we believe) can be fairly applied to antique and contemporary experiences alike, both Western and non-Western.

has powerful consequences. First, the despot has a limited capacity to commit himself vis-à-vis the broader population, as he will always be suspected of favoring some and/or trying to deceive others. Second, the scope of the common interest is narrow and, when a situation of competition arises, a winner-take-all pattern tends to dominate ex post with few if any rights for the losers, whether or not they are the majority.[14] Third, absolute oppression is not the rule. Even when unequally distributed, rights may still be leveraged, individually or collectively. Individuals are born into social orders that are often asymmetric, unfair, and possibly oppressive; however, they may either stay put or opt out (albeit at varying costs), or they may organize and renegotiate political orders, create new ones, structure competition among them, and so forth. Individuals can even band together to make revolutions, sometimes successful ones.

Take also the case the "informal sector" in today's developing countries. People living in slums or in dispossessed rural areas are seldom entirely devoid of rights; instead, their rights tend to be poorly enforced and even then only locally. Micro-entrepreneurs, for example, can typically raise funds only from neighbors and parents, and their trading partners may be limited to their own area. Old-age or health protection may also be reserved to those working in the formal sector, or to those with a strong capacity to organize and lobby. Still, the outsiders y re not necessarily stuck; they may, for instance, be able to vote or learn to organize.[15]

Nonetheless, a defining consequence of limited rights is that the marginalized masses are usually inclined to resist the despot's attempts to coerce, raise revenue, and extend his normative capacities. Unless actually threatened by local rulers, the masses would rather have most of their basic rights and common goods provided locally—that is, by kin groups, ethnic communities, guilds, warlords, mafia bosses, party cliques, and the like. Rights are then contingent upon allegiance, favoritism, or personal reputation. In other words, they are both *unequal* vertically (between the core and periphery of society) and *different* horizontally (across local orders or communities). This pervasive form of normative fragmentation serves in part as a check against coercion and exploitation by a larger, more distant ruler. The result, however, is widespread unregulated legal pluralism and considerable obstacles to circulation, emancipation, and competition. Take ancien régime France as an example: the legal infrastructure took the form of *coutumes*, or local customary laws that had been progressively written and confirmed from the mid-fifteenth century onward. On the eve of the Revolution, there were 65 *coutumes générales* and 300 other *coutumes locales*; all were enforced by the local courts and ultimately by the 15 provincial supreme courts, or *Parlements*. And this of course applied to a society that was still organized by status groups (the nobility, clergy, guilds, etc.).[16]

Liberal orders, in contrast, are explicitly founded on the principle of equality of rights among citizens regardless of their social, geographical, professional, ethnic, or religious background—or their wealth. Of course, the scope of those equal and impersonal rights may vary widely across societies and over time. Eighteenth-century England, for instance, guaranteed roughly equal rights in civil and economic matters even though the country was governed by only about 25,000 people. Still, the primary benefit of equal and individual rights is to emancipate individuals from their local communities, or bosses, and allow them to associate, invest, and trade across a much broader social space. *Because* rights are equal on both sides of the fence, individuals may take on inefficient producers, entrenched local rulers, and rent-seeking coalitions. And because equal rights are a spectacular instrument for reducing transactions costs, citizens and merchants may then aggregate into larger, more competitive public arenas and markets. On the one hand, this results in economies of scale, technological diffusion, the benefits of specialization, and hence economic growth. On the other

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[14] This pattern is consistent the concept of a "natural state" as developed by North, Wallis, and Weingast (2009), where resources and opportunities are systematically manipulated by rulers via taxes, price regulations, licenses, and/or charters.

[15] Hellman (1998), Maloney (2004). For examples of typically despotic environments, see Taussig (2003) on violence in Colombia and Soares de Oliveira (2007) on rent seeking in Angola.

[16] See Griffith (1986) on legal pluralism and Grinberg (2006) on the *coutumes.*

hand, a broader and more equal polity makes it easier for a governor to commit herself. She will not be expected (as a despot would be) to discriminate and deceive—not because she is necessarily more virtuous but because she is under credible checks. This leads in turn to greater willingness by citizens to delegate authority and resources, resulting in a wider common interest and possibly a better supply of public goods. Other things equal, liberal orders are typically associated with a more integrated civil society, a larger state, and a more dynamic economy than are despotic orders.

At first sight, addressing the bipolar continuum between despotic and liberal orders may seem like an unnecessary detour in a discussion of states, individual rights, and "global governance". Yet it offers a number of analytical benefits that will now become more evident. First, it introduces an explicit *ideational dimension*: individuals are primarily motivated by material interest, but they are also able to identify and debate about the institutions to which they have entrusted their basic rights and common interest. Second, we are spared the costs of postulating some initial social contract, or a founding constitutional commitment, whose ulterior evolution or renegotiation would be difficult to imagine. In fact, we make no assumptions about the origin of society; we merely assume that individuals are born into a social order that leaves them some room for strategic interaction vis-à-vis given rules. Liberal and despotic institutions, like states and markets, are social constructs that can evolve endogenously or be reformed.

3.3. The Dual Structure of Modern States

Modern states, we proposed, revolve around two dimensions: government and the production of public goods; and the trusteeship of private rights and civil liberties. In fact, these two dimensions are also institutionalized in two distinct hierarchies, a government bureaucracy and a hierarchy of norms and jurisdictions—say, a legal order.

The primary force behind the development of legal orders has been extensively discussed by classical sociology and economic history: the development of extended, impersonal relations and organizations leads to the increasing formalization of social norms and arrangements. For instance, formal property titles and written contracts allow courts to interpret and enforce them in a predictable way, even across large jurisdictions and over long period of time.[17] However, under a liberal order, the downside of legalization and enfranchisement is that a multitude of agreements, regulations, bylaws, and local delegations or private orders created at all levels of social life may constitute new obstacles to free circulation. Political devolution and free enterprise increase the capacity of citizens to self-organize, but the latter may then threaten open access and contestability.

The classical response is the development of a working hierarchy of norms and jurisdictions headed by a supreme court in charge of defending constitutional rights. In all liberal regimes, the legal order regulates, on a case-by-case basis, the balance between equality and autonomy. It should guarantee the freedom to contract and self-organize while preserving normative coherence, open access, and the integrity of both the body politic and the markets. Federal countries make this trade-off explicit, although other types of government also need to address it. France and Great Britain for instance have a much more centralized government structure than Germany or Italy. But basic rights and liberties in all four countries are all established at the highest level of political organization and ultimately enforced and defended downwards.[18]

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[17] A classic example is the economic history literature on the emergence of formal debt instruments (as opposed to those based solely on reputation). See also Greif (2002) or North, Wallis, and Weingast (2009), who convincingly argue that open access to impersonal and permanent organizations (e.g., corporations, civil associations, political parties) is specific to liberal societies.

[18] Finer (1999), Padoa-Schioppa (1997).

In contrast the *government bureaucracy* is concerned with commands, controls, tax collection, allocation of resources, and the organization of diverse production functions. Hence it mobilizes considerably more resources than the legal order and it is in many respects much harder to organize and manage. The legitimacy of each hierarchy is thus founded on different principles: the legal order relies on (at least the pretense of) neutrality, disinterestedness, and political nonalignment; whereas the legitimacy of government bureaucracies is based primarily on representation (e.g., parliamentary politics) and cost-effectiveness.

The point, however, is that these two hierarchies need not remain as closely intertwined as they have been within the classical, European nation-state. For example, today's European Union is regulated by an integrated hierarchy of courts while bureaucratic resources and executive power remain located, for the most part, at the national level. The EU Commission does not count for much in terms of financial or staffing resources. Although this institutional setup is certainly not without tensions, there is no evidence that it is intrinsically flawed or doomed. In other words, the classic constitutional conjunction between the legal order and the government of public goods may not be necessary. It could be severed without endangering the liberal rule, in which case both hierarchies could be restructured—from the local to the global level—along different and independent lines. They might then better serve their intended goals: establishment of the realm of civil action by a trustee; and provision of public goods by government agents. We shall follow this broad line of argument in discussing how states may evolve and how sovereignty may be redefined under the pressures raised by globalization.

4. Dynamics of World Ordering

4.1. The Outside Boundaries of States and the International Order

Indeed our discussion so far has unfolded within the framework of an implicitly closed society. Still, the legal orders and bureaucratic hierarchies have spatial borders that are certainly formalized. We define *interstate cooperation* as consisting of the transactions and transfers of resources and authority to organizations whereby governments regulate how their legal orders and bureaucracies (i) recognize the rights of nonresidents; and (ii) regulate the cross-border flows of goods, factors, people, and ideas.[19]

Take the case of coordination between judiciaries. European governments in the nineteenth century and during the interwar period assumed that the authority to settle civil disputes was a core sovereign prerogative. Hence they established stringent conditions on confirming foreign judicial decisions, making cross-border cases a rather complicated affair. Today such cases have become considerably easier as a result of broader judicial comity, international arbitration, and the mutual quotation of judicial decisions. Obviously this makes things easier for merchants and vacationers among others. The same logic applies to international treaty making and the devolution of resources to IGOs. The overall effect is to facilitate international transactions and increase the provision of international public goods, i.e. to empower agents. And as they increase their overseas investment, exploit their comparative advantages, and absorb foreign technological progress, the economic division of labor expands along the lines opened by diplomats, experts and entrepreneurs in private ordering; hence integration increases. Ultimately, then, "treaty compliance" is not an issue of the will of a self-contained sovereign actor; rather, it is primarily an issue of private interests that exploit rules or organizations to their advantage, just as they benefited from the rights for which they bargained

[19] Such rules fall under the rubric of "conflict of law" (Briggs, 2008); see also Llewellyn and Adamson (1941) for a classic discussion of how Native American tribes regulated their foreign affairs.

domestically.[20] Therefore, domestic delegations should be reinforced by more internationally agile governments that are keen to reduce transaction costs in private international exchanges.[21]

For this reason, in the perspective defended here, signing on an international treaty—or transferring resources and prerogatives to IGOs—has little to do with sovereignty. Because sovereignty establishes the domestic political order, renouncing it should be primarily about how core individual rights are established and how the "Arrovian" definition of the common interest is negotiated and implemented. So when looking for a signal of a "sovereignty transfer", one should not focus merely on budgetary contributions to particular IGOs, but first look at the authority to tax—and on this score, the ceding of sovereignty is exceedingly rare. The EU, for instance, features representation but not taxation. Another criterion is the authority to intervene ex post in matters involving private property rights, such as bankruptcy, eminent domain, and antitrust. This may seem like a narrow test, but it is not: under any liberal government, such actions are typically surrounded by exceptional judicial safeguards that should warrant motives and procedures to be free from arbitrariness. This institutional buildup reflects how, in practice, the liberal state protects and regulates the exercise of private rights and hence the private–public interaction. To our knowledge, EU antitrust policy is the sole contemporary example of such concession to a supranational authority; Europe-wide bankruptcies, in contrast, are merely coordinated between national jurisdictions.

4.2. The World We Live In: The Neodespotic Model

A fairly conventional (albeit abridged) representation of the dilemma of global governance may start from the account of a now widely extended, international division of labor in all its dimensions (economic, civic, social, etc.). International trade and finance is the straightforward illustration, one that easily draws with it self-evident consequences regarding policy-making and regulation against global systemic risks. But the fall in the costs of communication and coordination also allow private political entrepreneurs to easily mobilize large numbers of individuals and organizations with shared preferences (e.g., all the stakeholders involved in a given industry or humanitarian cause). Such single-issue organizations will typically put forward their efficiency-driven credentials and challenge states with respect to their special concerns. Of course, these groups have no obligation to prioritize competing interests or to implement broad rules of distributive justice, so their pretense of political efficiency is skewed at best. This is also why a world convention of single-issue militants could never establish a world polity: they may design coalitions, but they would not write covenants.

The enforcement capacity of national governments is also affected by the capacity of a nonnegligible subset of the population to easily opt out of local regulatory orders and shop around internationally. Hence there is a strong incentive for the state to consider primarily these groups' specific interests when public policy—in particular, fiscal policy—is designed. However, accommodating special interests in this fashion weakens a state's capacity to guarantee last-resort regulation and to adjudicate against bypassing strategies. Quite clearly this renders more suspect the government's claim to weigh fairly all preferences when establishing the "local common interest".

To this well-known line of argument our analytical framework adds a further consideration: the global arena is structured by specific rules, organizations, social movements, and so forth; but it is primarily populated by agents and governments who stem from a large cross section of more or less liberal or despotic regimes. And because both agents and governments are defined primarily by the rights and delegation that they have negotiated domestically, once on the international scene they are doomed to be unequal *and* different. In other words, what characterizes the international or global scene—whether one looks at governance or the division of labor—is the strength of despotic patterns. Whereas until now we envisaged the despotic/ liberal opposition in a diachronic or dynamic

[20] Wendt and Duvall (1989) mention this element but do little to develop it.

[21] This idea is defended i.a. in Thomson and Krasner (1989).

perspective, we now rely on it in a synchronic or cross-country one, so as to help us describing the political structure of the present world.

The neo-despotic character of today's world is primarily reflected in a fractured, incomplete normative framework that is devoid of a working international hierarchy of norms. The logical consequences are not so different, ceteris paribus, from those suggested by our previous brief depiction of ancien régime France. First, there is not even an approximation to equal individual rights across countries. Neither is there any binding rule of interaction between public and private or between a notion of common good and special interests—be they the interests of individual states, single-issue militants, or private businesses. Indeed, there are few institutional checks against rent-seeking monopoly positions or strong-arm politics. Then, the circulation of persons, production factors, and goods encounters many obstacles and many global public goods are provided inefficiently and/or illegitimately. Finally, large segments of the world's population tend to coalesce in (or be captured by) local orders, some of which embody the most threatening aspects of despotism.

These neodespotic patterns may well evoke the neomedievalist regime envisaged by many scholars of IR and the state,[22] a comparison that was indeed alluded to in the introduction. However, contemporary states are much more solidly established than trading cities of the past, and most individuals are probably much more emancipated economically and politically; hence the dynamics of collective action is and will remain much different from what is was in the distant past. Nonetheless, as we try to envisage how an international political reordering might play out, we must still look at how future burghers and merchants may negotiate with the princes and challenge them.

4.3. Actors in World Politics: Citizens versus Elites

Because a global political order would run counter to incumbent states, it would be opposed primarily by their political and technocratic elites. These elites control many existing regulatory institutions, they have a monopoly on decision making in IGOs and they share a vested interest in defending the prerogatives associated with being the recipients of strong delegations. Of course perks are a part of the story, though probably not a major one. More important should be the authority to enforce fundamental rights, to define the (national) common interest, broker redistributive arrangements between social groups, divide regulatory tasks between state and substate public regulators, etc.

Yet these elites are not necessarily antiglobalization. Because they are political aggregators, they benefit from considerable room for strategic behavior as they envisage alternative solutions to global policy challenges. Divergences or bifurcations may emerge from this point and endure. For example, risk-averse governing elites may align themselves with antiglobalization clienteles and marginal producers so that they can jointly defend an existing redistributive compact. Indeed, a significant fraction of the population in many countries has little interest in expanded international competition, so they would surely resist any sovereignty transfer. Conversely, state elites may side with the forces of increased competition in order to spur economic growth and hence their own fiscal revenue – just like early modern, mercantilist kings. But in any case, elites would only relinquish sovereign prerogatives if immediately threatened with losing their delegation – they surely want to remain in control.

At the leading edge of any movement toward global political reordering, militants are likely to be mobilized first by their material interests. That is, private agents will seek a more unified and stronger definition of property rights; reduced transaction costs; and a number of global market infrastructures, including economic stabilization and growth-supporting public infrastructure. Still, the civic-oriented demand for more equal rights is already vocal and will continue to find many advocates. These two classes of motives admittedly reflect different political sociologies. But there is no reason to assume

[22] Bull (1977), Friedrichs (2001), Spruyt (1994).

they are necessarily exclusive, contrary to the textbook opposition between utilitarians and idealists. Recall the antidespotic demands for liberty and equality in 1776 America, 1789 France, 1848 Germany, and 1981 Poland. The economic resources in these countries were not only badly managed. More unbearable was the inequality of rights and rewards between the privileged elites and the deprived masses. It then became critical to extend equal rights, open access and competition to both the public space and the marketplace, so that outcomes on both sides would be more legitimate and more efficient. The universal character of these civic principles explains why mobilization could subsume an extremely wide array of private (i.a. economic) interests even though all individuals would not benefit equally from an ulterior liberal reordering of society.

On this basis, two factors should bear more on the future evolution of the global political order. First, ceteris paribus, the more civic interests dominate the debate, the more unitarian the eventual political order will be. In other words individual rights, economic and political, would become more unified across the world and the political institutions would be restructured in a more comprehensive way. Again, economic interests would necessarily be part of the very large coalition of interests that would agree or adhere to such endeavor. Yet the self-evident collective action problems that are implied here may just not be solved, so that national elites may keep the lead. And as path-dependency dominates, national states would survive as strong entities and remain in charge of structuring the international order.

Now these national compacts and their legal orders embody the core principles (or values, if you prefer) that structure social exchange and political institutions, in each country. This is the second, more structural factor that will bear on the dynamics of global re-ordering: more or less liberal (respectively despotic) polities will not envisage integration and right equalization similarly. Remember that despotic regimes are defined by unequal *and* different individual rights, and that they tend to resist open access and competition. Hence, one should not expect despotic governments to adhere to an international order that would commit them to adhere domestically to widely different premises (although their domestic, civic opposition may do). In other words: the more cross-border integration proceeds, the more it constraints domestic orders, and the more the despotic–liberal divide becomes salient. Whereas the present neodespotic regime can accommodate wide differences in this regard, a global federation would be exclusively liberal. Alternately, a principle of regionalization might arise whereby more liberal countries, with more equal rights domestically, would converge more easily among themselves than with the rest of the world.

Table 1 shows how four scenarios can now be generated out of the answers given to two questions: first on the role for inter-state cooperation (including IGOs, etc.); second on the extent to which individual franchises remains exclusively national. Table 2 summarizes these model scenarios, of which only the federation reflects a full transfer of sovereignty to a global authority. It results from the capacity of political entrepreneurs to mobilize and coordinate a large array of interests and preferences, and then converge toward rules of global citizenship. In contrast, in a hegemonic world individual rights would remain grounded exclusively in national delegation compacts, and binding rules of interstate coordination would be expressly rejected. By way of comparison, enlightened despotism is characterized by a more rationalized, self-correcting, hence effective structure of interstate cooperation. Lastly, a confederation would see a large opening of national legal orders, so that private rights would be mutually recognized and enforced across borders, though without being unified.

These models are *ideal types* in that they formalize a limited set of significant variables and relations. As such, they do not correspond to discrete classes of observable empirical experiences: patterns characteristic of different types may coexist in reality, as for example in the present-day EU. Furthermore, we are deliberately noncommittal regarding the *dynamics* of actual regimes: political orders evolve in an open-ended and historically indeterminate way, where intentionality is bounded by collective action problems and by the structure of existing sovereign delegations.

5. Scenarios for the Emergence of a Future World Order

5.1. The Hegemon

What happens if entrenched national elites do not promote efficiency and fail to accommodate equity-driven demands for political reform? Or if states are unable to enter constructive strategies of international reordering? The answer is that the base—merchants and citizens—will take the lead. The easiest road is then to converge individually toward a more satisfactory regulatory order. In other words, people would opt out of their domestic order and place themselves under the protection of a more efficient sovereign. Emigration and diasporas are standard examples; others include fiscal evasion, capital flight, and education in foreign colleges. Alternatively, agents might lobby their home authorities to adjust local norms and rules to a benchmark model so that coordination becomes easier and transaction costs smaller. For instance, "dollarization" allows for both the decentralized, spontaneous approach and the official, formal one. Another example is the worldwide adoption of European norms for the environment and consumer security.

Because this scenario is driven by the capacity of individuals to raise credible threats of exit, institution building and collective action face considerable obstacles. For one, the "supply" of rules comes from a *primus inter pares* state whose regulations are voluntarily adopted by outsiders without any discussion or bargaining. Delegation to the hegemonic state occurs de facto rather than de jure; it is typically informal and gradual rather than explicit and democratically agreed upon. It also raises immediate problems concerning safeguards: foreign citizens are not represented in the checks and balances or in the policy-making system of the hegemon, although they may still prefer such "junior" citizenship to what their own national state offers.

One variant of this scenario may see economic and political elites opting out of a given country en masse, thereby compromising the state's capacity to support efficient bureaucracies, a working legal order, and economic growth. This trajectory might converge asymptotically toward a world order in which a few hegemons are surrounded by failed states. In that case, inequality in rights and in access to public goods would be maximized across nations while the overall capacity to agree on the production of common goods would be minimized. International protectorates or notions of "shared sovereignty" would be markers of such trends[23] and, as argued by Hobbes, state coalitions would primarily aim to maintain their advantage over other coalitions.

But the hegemonic model may also be consistent with a progressive convergence of national polities toward liberal principles, albeit with limited institutionalization of interstate relations. The conventional representation of the nineteenth-century European Concert of Nations is a good example: national governments defended a compact definition of sovereignty, domestic rules were little constrained by interstate relations, asymmetries of power were played out in the open, and dispute resolution typically followed the nonbinding rules of "arbitration under anarchy" (which address only coordination problems, not problems of cooperation).[24] Still, governments supported extended economic exchanges and the free circulation of persons, so that economic competition and emulation could bring about substantial formal convergence: "norm cascades" for instance can be part of such international order.[25] It however is important to note that the Concert was also consistent with wide disparities regarding the character of domestic delegations contracts: there was indeed no question that Russian despotism, German militarism, and the successive political experiments in France in some way limited the capacity of the respective governments to join in.

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[23] Krasner (2004).

[24] Ginsburg and McAdams (2004), Murphy (1994).

[25] Finnemore and Sikkin (1998).

Compared with the hegemonic model, the three next scenarios are more supportive of global integration and imply a much more consistent integration in matters of rights, norms, and the structure of legal orders.[26]

5.2. Enlightened Despotism

Under a scenario of enlightened despotism, the national governing elites succeed in maintaining their control over the international regulatory architecture while meeting many of the demands of private agents through a fairly rationalized, stable set of IGOs and treaties. Specifically, two patterns would come to the fore.

First, an enlightened despotic scenario would feature a rebalancing of international delegation from the classical multilateral model founded on *agency* to an increased reliance upon *trustees*. As defined by Alter (2006, 2008a, 2008b),[27] trustees receive a mandate to regulate a well-delineated set of relations; however, they are not under direct and explicit control as agents would be under a principal. Trustees are typically chosen for their personal competence and authority, placed under specific rules of accountability, and expected to act on the basis of their personal judgment in an independent, apolitical manner. Examples include central bankers, judges, and representatives of epistemic communities. As a consequence of their mandate, trustees will advertise their dissents with the politicians who nominated them because doing so increases trustee credibility. A traditional agent does not behave in this way.

Indeed, the most remarkable shift vis-à-vis the traditional principal–agent framework is that a trustee does not serve the interests of those who chose her but rather the interests of third parties, those who are at the receiving end of monetary policy or dispute resolution, for example. She therefore constitutes a *collective* interest in the service she delivers and also delineates "a public", who may become interested in entering a specific discursive interaction with her. Thus may emerge an embryonic notion of parallel delegation to this supranational entity—or, say, some form of recognition or implicit confirmation by third parties. In an admittedly fragmented way, a public–private rule of interaction may then take shape between regulator and the emerging public.

This trend is consonant more generally with the second trend: the increasing capacity of international organizations to evolve, self-adjust, and resolve bilateral disputes—for example, via developing international administrative law, formal rules of review to monitor state compliance, peer pressure, and so forth. The mutual recognition and quotation of decisions rendered in different organizations typically help them coordinate on stable though informal rules of interaction. In such an environment, the concepts of tipping points, coordination focus and generic expertise accumulated in organizations have their greatest influence.[28]

Yet compliance is never fully guaranteed, and governments may always opt in and out of arrangements depending on their short-term cost–benefit trade-offs. This pattern is of critical importance on the frontier of international policy making—where rules and regulatory trade-offs are not settled and stalemate is a constant threat. The World Trade Organization is a straightforward example: thanks inter allia to the dispute settlement mechanism, past settlements are generally enforced and adjustable at the margins; however, any extension of free trade to new domains immediately brings out the "realist" interaction of national interests (as occurs when the liberalization of services or agricultural trade is proposed).

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[26] On this point we rely extensively on the growing literature in international legalization and judicialization. See, for example, Abbott and Snidal (2000), Alter (2006, 2008a, 2008b), Brütsch and Lehmkuhl (2007), Keohane, Moravcsik, and Slaughter (2000), and Stone Sweet (1994, 2009).

[27] After Majone (2001), Rogoff (1985), and Stone Sweet (1994).

[28] Barnett and Finnemore (2004), Finnemore and Sikkin (1998), Reinalda and Verbeek (1998, 2004).

Finally, public opinion and international civic organizations remain *outside* the conference buildings. Intergovernmental organizations may hold press conferences, maintain rich websites, and meet with representatives of associations, but in no case do these outsiders actually participate in the formal decision making. Hence these more competent and better coordinated IGOs would not help establishing an integrated international public domain—nor a corresponding international civil society—in either the liberal or Gramscian sense. More generally, this evolution would support international policy-making and offer a more supportive environment to agents, though without affecting their core individual rights – they would indeed remain anchored in national delegation compacts.

This marks the exact limit beyond which this scenario would not extend. It is in fact the counterparty to the broad participation of most states in these agreements and assemblies, howsoever despotic their character. The Chinese and Russian governments, to mention just two examples, are not much concerned with the demands of (mostly Western) civic militants; but they would not admit that their own citizens may leverage internationally agreed-upon rules or rights on the domestic scene—specifically, the political one. For this reason, most despotic states, which are often willing to abide by common regulatory norms in the economic field, nevertheless maintain a strong hold on just how enlightened the contemporary neodespotic international order may become. This level of control is ultimately reflected in the rather narrow legitimacy principle that underpins this scenario—namely, accountability.

5.3. The Confederation

The confederation represents the most direct evolution into a more settled, intergovernmental regime although it would require that individual rights are substantially though indirectly affected. Much stronger mutual guarantees than in the previous ideal types are built in regarding compliance, formal integration, and especially private rights. Hence the potential impact on the international division of labor is substantial although ultimate delegation of sovereignty and definition of basic rights remain at the national level. Indeed, the confederative model is a project driven by the elites, and because citizen consent is solicited ex post rather than ex ante, decision makers can easily design arrangements that accommodate their vested interests.

Beyond, the first main feature of a confederation is that IGOs in charge of producing the most important public goods (e.g., climate, trade, food security, health) increasingly take a constitutionalized form. In particular, the definition, adjudication, and enforcement of norms (i.e., the three Montesquieu powers) tend to be delegated to separate but mutually controlled bodies. This institutional architecture is thus more comprehensive than that of the previous cases, which were characterized by straightforward agency and trusteeship. In this case, the division of authority and the procedural safeguards are much more sophisticated and binding: governments want to have more guarantees from IGOs, although these mechanisms protect as well private interests against abuse.

Second is the increased opening of national legal orders—that is, the mutual recognition of private rights and court judgments. Although states remain the ultimate guarantors of their respective legal orders, they also recognize the rules of justice applied by others and enforce them with minimal scrutiny.[29] This is hardly a new trend: protections granted to foreign merchants are as old as long-distance trade; and, as stated before, the present rules are generally much more liberal than those in effect before World War II—especially within Europe, where integration of the national judicial orders is a key element of the Single market. This trend, whether evidenced in Europe or beyond, is visibly constrained by adhesion of member-states to a stronger concept of a community of rights: one that encompasses operations of the rule of law between private agents. Citizens should indeed acknowledge and accept that they could be directly affected by court judgments made abroad and

[29] See Slaughter (1998) and Teitz (2005).

under a legal order that differs from their own. This would be the conditions for much easier communication and transactions across borders.

5.4. The Federation

If the elites fail to establish an enlightened despotic regime or an elite-protecting confederation, then citizens and merchants may take the initiative. At this point, if they reject the go-it-alone option of exit then they might attempt to gain direct control of the global public sphere and to negotiate a new sovereign delegation. Unlike the previous scenarios, in which advocates for change mainly targeted transaction costs, in a federal scenario any concerns about efficiency or profits would be subsumed by the more universal principles of common good and equal rights. Such an outcome could transpire as a citizen's uprising, where affirmation of the principles of equality and liberty galvanizes action and leads to the tearing down of an unjust and inefficient order. In Weber's terms, the leitmotif of mobilization would be the "substantial" irrationality of the old order rather its "formal" irrationality, which dominates in the two previous models.

Because the resulting federation would include all individuals, its main feature would be its universal egalitarian character: basic rights of citizenships, property rights, and open access would be globally established so that all levels of governments (municipal, provincial, national) would have to abide by them. As a result, no legal or jurisdictional obstacles would remain to hinder the free circulation of individuals, social movements, ideas, or property. Enfranchisement—and thus the capacity to contest economic competitors and rulers—would then be maximal. Social and economic exchange could extend within a single civil realm; in this event, the present-day anarchic international order would be abolished, as it would within any nations that would adhere to such a federation.

The second remarkable feature of this scenario is its disentanglement of bureaucracies and the legal order—and hence the end of states as historically contingent entities. Indeed, a world federal order need not merge national states into some "global state"; it would more likely signal the emergence of an original and more promising political order.[30] On the one hand, the hierarchy of norms would be established globally, so that the realm of civic and economic action would be at last fully unified. On the other hand, this global jurisdiction would be instrumental in reallocating the provision of public goods among levels of government; equal rights also reduce transaction costs among bureaucracies. Therefore, collective preferences and efficiency concerns (economies of scope and scale) would at last structure the division of labor among them: considerable political decentralization may (or may not) eventually be observed, as national states would lose their stranglehold on a mass of public policies.[31] For instance, social security systems may properly remain associated with national communities whereas monetary policy might be structured in terms of optimal currency areas, and local jurisdictions would likewise apply to groundwater basins and school management.[32]

The overall result is that sovereignty as a trusteeship of rights would be global and unified, whereas sovereignty as government or agency would be distributed among different levels of political ordering. Depending upon the extent of their respective delegation, local governments would establish their legitimacy on four principles of increasing importance: efficiency, accountability, fairness, and representation—with the last being required for taxation. Finally, citizenship would no longer be concentrated in a single political delegation. Equal basic rights would indeed establish the notion of a

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[30] This marks another difference with Wendt's model. In his view, the so-called legacy states become "local realizations of a larger state" that concentrates on "legitimacy, sovereignty and agency" (Wendt, 2003).

[31] In other words, the principles of fiscal federalism would rule. See Figueiredo and Weingast (2005) and Oates (1999, 2005).

[32] At this point, and following Alesina and Spolaore (2003, chap. 9), we could also suppose that a single legal order would allow only a partial reduction in the transaction costs implied by multiple jurisdictions, so that some incentives would remain for bundling them.

shared global citizenship. But solidarity and the government of local commonalities may also perpetuate a sense of affiliation or allegiance.

6. Conclusion

This article offers a framework for analyzing the long-term evolution of political and economic orders in terms of delegation received from or withdrawn by individual agents. Enfranchisement derives from what and how agents agree to delegate, hence by their limited capacity to negotiate binding agreements with rulers. This agent-based, incentive-compatible approach then shapes a core interaction between the ongoing, long-run bargain on rights and the independent dynamics of the social division of labor—say, civil society and markets. The distribution of rights (i.e. their being more or less equally distributed) then helps to account for different long term patterns of development in both the states and the economies.

Today however many agents have obtained a huge individual franchise that allows them to trade and organize far beyond the borders of their national state. The consequence is that governments are not only challenged domestically. It has also become more and more difficult for them to address the new interests and preferences that emerge from this sprawling, international division of labor. The international scene is indeed badly managed, its normative infrastructure is fractured, and the distribution of individual rights is hugely unequal. These facts justify its characterization as neodespotic as well as its potential for contestation, reform, or rebuilding. From this account, we derive four long-term scenarios of political reordering, one of which (the "federal" scenario) would entail disappearance of the classical nation-state built on the conjunction of a legal order and a government bureaucracy.

However, two broad questions have not been addressed even though they clearly hang over this discussion. First, our framework assumes that the potential for a comprehensive evolution of the global political order would be bounded by the persistence of despotic national regimes. In other words: we modestly and parsimoniously concur with Rousseau and Kant, who argued that a community of states would be built by republics only. An open and indeed classical question is whether international exchanges and cooperation may, over time, affect the domestic bargain between rulers and citizens and then possibly feed back again internationally. For example, an internal dynamics of judicialization and liberalization may take hold in despotic countries and progressively change the rules the game. Alternately despotic states may socialize constructively and negotiate trade agreements without ever losing control over the domestic rules of the game (i.e., their legal order). In fact our response to this alternative is very simple – we just don't know.

The second question is suggested by the international financial crisis that began in 2007. A mass of private agents had been endowed with exceptionally large rights to invest and speculate worldwide. They then accumulated globally unsustainable stocks of financial assets whose collapse called for massive intervention by national regulators: lenders of last resort, bankruptcy courts, and national budgets. These events indicate that the time lag between an expanding, private-led division of labor and the slow-moving process of international political reordering may not be manageable. Markets, in other words, would be doomed to overextend and then retrench without ever allowing for supportive global rules and policies to be put in place. Cycles of great reversals would then rule, although within inherited state borders.[33]

[33] Polanyi (1944), Rajan and Zingales (2004).

Table 1. Four Global Scenarios

	Interstate cooperation disappears	**Interstate cooperation structures the international order**
Individual franchises are affected by the international order	Federation	Confederation
Individual franchises are only national	Hegemony	Enlightened despotism

Table 2. Four Ideal Types of International Order

	Political model			
	Hegemon	**Enlightened despotism**	**Confederation**	**Federation**
Keeper of delegation	Dominant national states	National states	National states	Global federation
International order	Anarchy without institutions	Society of states	Cosmopolitan democracy	
Compliance	Asymmetric coordination	Coordination and multilateral cooperation	National courts as international enforcers	Constitutional
International judicial orders	Arbitration under anarchy, domestic international law	Ad hoc courts and trustees, case-based lawmaking	Ad hoc sectional constitutionalization, administrative review	Integrated judicial order under a supreme court
Domestic legal orders	Self-contained and asymmetric	Self-contained	Mutual recognition of national legal orders	
Rule of legitimacy	Private efficiency	Accountability	Fairness	Representation
Present policy model	Dollarization, voluntary recognition of norms	EU trade policy	Schengen rules, *acquis communautaire*	EU antitrust

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