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Globalization—Quo Vadis?

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Abstract

The Global Financial Crisis of 2008–9 provided a critical watershed in the evolving global economic rebalancing and re-shifting towards China and Asia. The era of unchallenged US hegemony and "hyperglobalization" came to an end. Since 2017 the Sino-American geostrategic rivalry has taken centerstage in global affairs and is bound to play a decisive role in in the future evolution of globalization. Against the backdrop of Dani Rodrik's (2011) "political trilemma of the world economy", this essay reviews two recently published books on the subject matter of globalization that provide invaluable insights and strategic guidance into what is at stake. The first was published in November 2025, a single-authored work by Dani Rodrik titled "Shared Prosperity in a Fractured World: A New Economics for the Middle Class, the Global Poor, and Our Planet" (Princeton University Press). The second is a collection of contributions by expert economists co-edited by Lili Yan Ing and Dani Rodrik titled "The New Global Economic Order" (Routledge).

Upon reviewing these two works the essay offers some further reflections on the future path of globalization and European integration.

JEL Codes: F02, F15, F50, F60, Q01

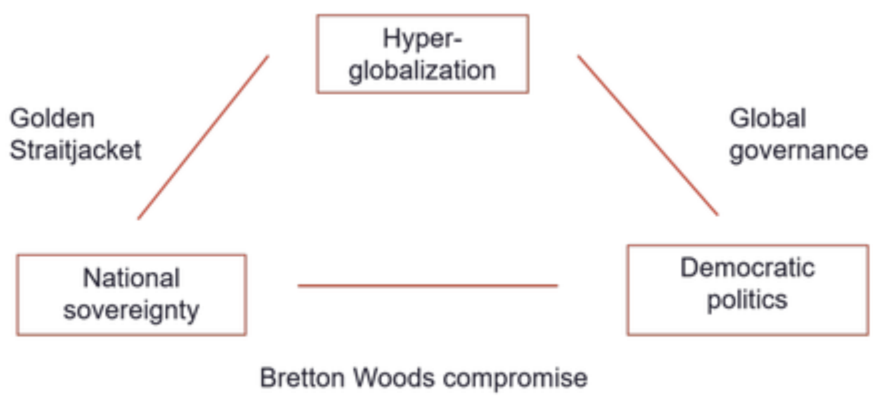
Key words: globalization, inequality, sovereignty, geopolitics, climate change, jobs

GLOBALIZATION AND THE POLITICAL TRILEMMA OF THE WORLD ECONOMY

Common definitions depict globalization as the integration of the world's economies, politics, and cultures. Economists tend to more specifically treat globalization as the integration of markets—as market integration across national borders featuring the movement of goods and services, money and finance, ideas, information and data, as well as people. Rather than describing a state of affairs, globalization is an evolutionary process. For long economists had presumed that economies would become ever more interconnected and interdependent.

But globalization is not a one-way street—as it might have seemed in the era dubbed "hyperglobalization" by Harvard economist Dani Rodrik, studying the phenomenon from a political economy perspective. Already in the 1990s, in the heyday of the "Washington Consensus" when the World Trade Organization got established as part of the expansive "Uruguay Round" of trade liberalization, Rodrik posed the question: "Has Globalization Gone Too Far?" (Rodrik 1997). In the aftermath of the Global Financial Crisis (GFC), a decisive watershed in global affairs, Rodrik then published his influential work *The Globalization Paradox: Democracy and the Future of the World Economy* (Rodrik 2011).

Figure 1. Rodrik's (2011) "Political Trilemma of the World Economy"



Source: Rodrik (2011).

Rodrik posits there an intriguing “globalization trilemma,” arguing that (1) deep global economic integration, (2) national sovereignty, and (3) democratic politics cannot exist simultaneously. In principle, countries can choose any two, but not all three at the same time.

In the early post-WWII decades, the (western) world had operated under the “Bretton Woods compromise,” featuring restrained globalization that left countries with sufficient national policy space. By contrast, the move towards hyperglobalization, starting in the 1980s, saw countries effectively putting on a “golden straitjacket,” setting up a clash with democratic politics. At the time, globalization—through ever more far-reaching market liberalization—was becoming the chief goal of economic policy in and of itself, Rodrik argued, rather than a mere means. As a means toward the end of shared prosperity in stable democracies, globalization had to be carefully calibrated and skillfully managed to meet varying national needs. Rodrik’s trilemma was a forewarning directed at the cheerleaders of the prevailing relentless push for hyperglobalization. More specifically, Rodrik warned that in a world *de facto* organized in nation states, and hence with politicians being held accountable by national electorates, hyperglobalization would bring global economics into conflict with national politics and that, at least in democracies, politics would always win out in the end.

Well understood by political economists but often underappreciated by economists squarely focused on efficiency alone, the issue is that globalization produces winners and losers within each nation-state. In the absence of global governance mechanisms of effective containment, compromise, and/or support (redistribution), it depends solely on national politics and institutions to establish a compromise between the winners and losers within each nation that will ultimately determine the limits to how much cross-border interconnectedness can be sustained, or the point at which political pushback at the national level causes the globalization process to go into reverse.

Seen from the vantage point of Rodrik’s “globalization paradox,” Europe has always presented a fascinating experiment: a group of democracies pushing hyper-globalization even harder, although at the regional level. As (initially just western) European countries advanced on their chosen path of creating “an ever closer union among the peoples of Europe,” especially since the Maastricht Treaty, and then also inspired by the prospect of a reunited Europe spanning countries on both sides of the former “iron curtain,” Europe’s nations instinctively understood that deepening economic integration required an increasing degree of political integration—common regional governance of some kind—as well. With economics becoming European, politics could not stay purely national. Some degree of national sovereignty had to be surrendered to protect and strengthen (shared) sovereignty regionally to enable European governance. But how to create a—properly democratic!—European politics compatible with vast cultural diversity that can deal with both external and regional challenges as they unfold, producing winners and losers, both regionally and nationally?

While the GFC provided a critical watershed in the evolving global economic rebalancing and re-shifting towards China and Asia, followed, in Europe, by the “euro crisis” that at its peak seemed to risk the end of the European experiment, the hype-globalization juggernaut really began to unravel in 2016, starting with the “Brexit vote” in the United Kingdom in June followed by the election of Donald J. Trump as US President in November of that year. Early critics of hyperglobalization, like Dani Rodrik, will feel vindicated by these and similar events elsewhere in the world. The nationalist-populist backlash against hyperglobalization (and hyperregionalization) observed in many parts of the world features the common theme of “taking back control” and prioritizing national interests (“America First”).

By 2026, while signs of regret and timid rapprochement are observable in Britain, the course change away from hyperglobalization appears to be toughening in the US. Trade warfare already characterized the first Trump presidency. The Biden government then took a less belligerent and more targeted approach to bolstering the pursuit of national policy priorities. But no attempt was made to return to the old policy paradigm. The second Trump presidency has only confirmed the definite end of (any pretense of wishing to uphold) the old Washington-led rule-based global order. In an apparent attempt to contain China’s global rise and sustain US global hegemony by other means, the Trump administration seems to be embracing the model of an extractive rogue state instead, projecting global power through both trade warfare and military warfare.

While the future of globalization is highly uncertain at this time, the geostrategic rivalry between China and America is bound to play a decisive role in how this whole process will unfold and what shape a new global order might ultimately take. Europe will need to recalibrate its own regional and global ambitions within the new combative global landscape, just as other countries (or groups of cooperating countries) will need to reassess their options going forward.

Two recently published books on the subject matter of globalization provide invaluable insights and strategic guidance into what is at stake. The first was published in November 2025, a single-authored work by Dani Rodrik titled "*Shared Prosperity in a Fractured World: A New Economics for the Middle Class, the Global Poor, and Our Climate*" (Princeton University Press). The sub-title indicates Rodrik's search for new strategies that will effectively promote the triple goals of rebuilding the middle class, reducing global poverty, and meeting the climate challenge—and all within the newly unfolding contemptuous mode of (anti-)globalization. The second is a collection of contributions by expert economists co-edited by Lili Yan Ing and Dani Rodrik titled "*The New Global Economic Order*" (Routledge). Exploring the evolving global order, the volume investigates the themes of economic transformation, development strategies, and pertinent governance questions surrounding AI, green technologies and the energy transition, as well as health crises and future pandemics.

The remainder of this essay will review these two books and then, against this backdrop, offer some further reflections on the future path of globalization and European integration.

"THE NEW GLOBAL ECONOMIC ORDER" (ING AND RODRIK, EDITORS)

"*The New Global Economic Order*" features twelve chapters authored by a group of 12 scholars who are renowned experts in their field. The introductory chapter by Lili Yan Ing and Dani Rodrik starts out by emphasizing the principal role of a series of "industrial revolutions" in powering GDP growth since the 18th century. While Europe and North America have been central to the advancement of technology from the beginning, emerging economies, especially in the Asia Pacific region, have seen the most remarkable growth in more recent decades. Ing and Rodrik (2026, p. 2) readily acknowledge that “both theoretical and empirical studies have consistently underscored the pivotal role of international trade as a driver of economic growth,” adding the crucial caveat: “as long as appropriate industrial restructuring policies were in place at home, particularly in emerging East Asian economies,” And not only the benefits but also the costs of globalization and technological advancement were substantial, mainly in the form of “rising inequality and the exacerbation of climate change,”

Rising inequality and climate change are key themes featuring prominently across all the contributions of this volume for which Ing and Rodrik are adeptly setting the scene in their introductory remarks. As far as rising inequality is concerned, they proclaim that the “populist backlash against the prevailing global order is largely a result of its distributional consequences —within and across nations,” adding that the “deepening of economic, social, and political cleavages within nations has been reinforced by the rise of China as an economic and geopolitical rival, and perceived threat to the US and other advanced nations” (p. 4). Regarding climate change, Ing and Rodrik highlight the “persistent linkage between industrial activity and environmental degradation [as] underscore[ing] the urgency of integrating sustainability into industrial and economic policy frameworks to address the dual challenges of economic growth and climate mitigation” (p. 3).

While these are the real and formidable challenges facing countries around the world today, the trouble is that the observed populist backlash against hyperglobalization—with foreigners blamed for all national evils—not only fails to offer solutions, but even risks making matters worse. Singling out the US example, which inevitably always has global ramifications anyway, Ing and Rodrik conclude: “Trumpism fails to offer a serious remedy to these imbalances while exacerbating their negative impacts. The time is ripe, therefore, to reimagine what a healthier, more inclusive, and more sustainable global economic order might look like. We are at a pivotal moment for multilateral cooperation and reconfiguring the structures that will underpin the next phase of globalization” (p. 4).

Reimagining a healthier, more inclusive, and more sustainable global economic order, that is the task this book sets out to accomplish. The remaining eleven chapters may be divided into four sections or groups of essays. The first consists of the historical chapter 2 written by the economic historian Kevin H. O'Rourke. The second section consists of three chapters (chapters 3 to 5) that delve into the framework of global rules and governance, investigating the principles and institutions that have shaped international economic interactions. The third section consists of four chapters (chapters 6 to 9) that explore growth and structural transformation, specifically the dynamic processes propelling economic development across regions and industries. And the final section consists of three chapters (chapters 10 to 12) that focus on global resource mobilization, specifically the design of mechanisms and strategies that can assist utilizing resources in support of sustainable economic growth and resilience.

As a valuable historical background, O'Rourke offers a brief history of the global economic order since the mercantilist period, highlighting the metamorphoses the global economic order has undergone since the early modern period. Apart from occasional bilateral trade treaties, anarchy and constant warfare between the leading powers described the global "order" in the mercantilist period of the 17th and 18th centuries. The protagonists were pursuing activist trade and industrial policies, perceiving both the geopolitics and economics of the world economy as a zero-sum game. Early capitalism was state-led and largely undemocratic. Countries restricted emigration rather than immigration while capital was mobile.

A generally liberal international order only emerged gradually. Not through multilateral negotiation, but spontaneously as a result of individual countries' policy choices regarding their respective national currencies (namely, pegging to gold) and bilateral trade deals featuring the "most-favored nation" principle. As early industrializer and master of an expansive empire, Britain became the world's leading economy and unilaterally adopted free trade in the mid-19th century. The gold standard and the MFN principle thus became the two columns on which the accidental "system" rested, the late-19th century system of classical liberalism paired with imperialism.

The system collapsed between the world wars. O'Rourke highlights the rigidity of the gold standard as a key factor. In pre-1914 times, mass migration flows had provided a safety valve for some countries while extreme capital mobility was associated with periodic financial crises. Already the long deflation of 1873–1896 had given rise to a powerful democratic protest movement against the gold standard in the US (the Populist Party). After WWI many countries, including fledgling democracies, embarked on an ill-fated effort to restore gold to its former status. So the rigid gold standard also came to play a crucial role in spreading and aggravating the Great Depression that saw the world splintering into blocks separated by rising protectionism and later warfare. O'Rourke (p. 17) observes: "The policy framework of the 1920s was eventually rejected everywhere, but the attempt in some countries to delay the inevitable would have fateful consequences. where democratic parties advocated the radical reform that was needed (e.g. , Sweden), they reaped the electoral rewards; where democrats failed to offer an alternative vision of how to manage the economy (e.g. Germany), they were ejected from power (Berman 2006)."

In contrast to the pre-1914 system, the post-1945 "global" (rather: largely Western) economic order rested on multilateral treaties and institutions. "To a large extent, these undertakings were designed to avoid the catastrophe of the 1930s" (p. 18). Featuring fixed but adjustable exchange rates, capital controls, and gradual trade liberalization with MFN as the key principle, the new Bretton Woods order ushered in the "Golden Age" of economic growth. Migration was now severely restricted while the former European colonies attained independence. Western Europe, encouraged by the US, used the leeway provided by the Bretton Woods order to embark on deeper regional integration.

The Bretton Woods order gradually transitioned toward the current system. Capital mobility started rising in the 1960s. Major currencies moved to floating in the 1970s. With the collapse of the Soviet Union and end of the cold war and China's opening to the West, the international economic system became global. Expansive trade liberalization through GATT and the WTO followed as the intellectual climate embraced the "Washington Consensus," and developing countries generally opened to trade and foreign investment. One important consequence was that countries lost their domestic policy flexibility and became increasingly constrained by international rules. The economic historian offers some warnings here: "Where rules are too constraining, they are eventually abandoned. Where inappropriate rules are maintained in place for too long, democracy can be made fragile and international cooperation discredited. In a world that needs global cooperation more than ever, it is dangerous when liberal internationalism becomes excessively identified with a particular economic policy, as during the 1930s. it is crucial to distinguish amongst rules that are essential, rules that are not, and rules that are potentially damaging, and accept that democratic governments require policy flexibility to cope with changing circumstances" (p. 22).

One can see here how Rodrik's (2011) "globalization trilemma" incorporates insights from these historical experiences. O'Rourke's warning about a too constraining global order also provides important inspiration behind the approach taken by Joseph E. Stiglitz and Dani Rodrik in their essay "Rethinking Global Governance: Cooperation in a World of Power" (chapter 3). As their starting point, they accept as important realities that the world has limited global cooperation while featuring an uneven distribution of power, and that nation states are the primary political units. Critiquing the one-size-fits-all approach to current global governance as inspired by neoliberalism, they propose an alternative framework for a "minimalist global governance architecture" based on four principles.

The first principle is that countries should be allowed to do as they please except for engaging in explicitly beggar-thy-neighbor (BTN) policies. The authors have especially smaller countries in mind here, countries that have only a negligible impact on others but have felt the most binding effects from international agreements. The second principle is that international agreements must reflect the differences in circumstances amongst countries (rather than prescribe one-size-fits-all). The third principle is that global agreements should be consistent with both efficiency and fairness. Taking climate change and global health as an example, they argue that global fairness "would require significant resource and technology transfers from the North to the South" (p. 27). Additionally, especially large, advanced countries must take any negative spillovers into account that their policies might have on poor countries. Their fourth principle highlights that international economic arrangements can have redistributive consequences that might risk social and political corollaries when national policymakers lack the policy space to deal with them.

Stiglitz and Rodrik assess that powerful special interests have captured the current global order, allowing them to extract rents from the least powerful. They see their minimalist framework as providing a roadmap for building a more sustainable, equitable, and cooperative global order. They discuss the implications of such an order for a variety of areas, including intellectual property rights, multi-national taxation, investment agreements, trade and industrial policies, and sovereign debt.

While Stiglitz and Rodrik seek to improve on a global order that, on their view, was overly ambitious to begin with and has become dysfunctional under the pressure of its own weight, the other two essays in this section, one by Shujiro Urata titled "Roles of Bilateral, Regional, and Plurilateral Cooperation" (chapter 4), and the other by Danny Quah titled "Correlated Trade and Geopolitics Driving a Fractured World Order" (chapter 5), focus on ways that might help to contain the potential damage to the global economy arising from fracturing due to escalating Sino-American rivalry. Multilateralism may be in trouble, but perhaps other forces and players are strong enough to maintain a rule-based global trade system of sorts.

Shujiro Urata reviews the evolution, and assesses the roles, of bilateral, regional, and plurilateral economic cooperation in the current global order. The chapter highlights that despite today's contemptuous global environment numerous WTO members, including a group of middle-power countries, and a group of countries belonging to the European Union (EU), Association of Southeast Asian Nations (ASEAN), and the Global South are actively engaging in various initiatives aimed at sustaining a rule-based trade system. Initiatives feature enlarged regional trade agreements with comprehensive policy coverage, plurilateral agreements, and an alternative dispute settlement mechanism called "Multi-Party Interim Appeal Arbitration Arrangement" (MPIA). He suggests that other players must "engage the United States and China bilaterally, plurilaterally, and regionally in their attempt to rebuild the global trade system under WTO" (p. 51).

Danny Quah offers yet another perspective on the ailing global economic order and what it might take to mitigate growing fragmentation. He zooms in on the relationship between trade interconnectedness and geopolitical tensions and how this relationship has shaped the global order. He rejects the usual hypothesis of a trade-off between economics and geopolitics which continues to inform much thinking and policy advice today, including by the IMF, namely that when the economic costs of fragmentation become too large, they will trump geopolitics. Quah argues that the forces of economics and geopolitics do not drive the world order in opposite directions, but the same. Dividing the past 50 years into two eras, he depicts the time from 1980 to 2010 as the "centripetal era," when economic integration and geopolitical alignment both contributed to a relatively stable global environment by bridging the interests of developed and developing countries. Three critical ideas powered this era: political convergence on the idea that rising incomes and prosperity naturally foster democracy, economic efficiency as offering win-win outcomes to nations, and comparative advantage as the rationalization of globalization as an objective for the emerging international system.

Economically, the narrative appeared to work out initially as the 1980s and 1990s saw big success in the rise of China and East Asia, with poverty in decline. Alongside these successes the US emerged as the *de facto* leader in a unipolar world order, providing the global public good of international policy-making in support of multilateralism. In short, in the central-petal era, "geopolitical and economic forces aligned to produce convergence in the international system," (p. 57) Quah argues.

Matters began to shift in the early 2000s as the "China shock" gathered strength, which set the scene for the "centrifugal era" of the world economy that came alive in the aftermath of the GFC. The current centrifugal era is characterized by a constellation of economic and geopolitical forces that both work in ways that exacerbate global fragmentation.

Economically, Quah emphasizes that the China shock's welfare impact operates through a shift in price ratios. As Quah highlights, China's import prices into the US stayed conspicuously flat between 2003 and 2024. While aggregate welfare may be improving and consumers are benefitting from lower prices, the home industries competing with these imports are producing losers—visible as falling employment, shattered industries, and displaced communities; phenomena generally associated with rising inequality and political polarization.

Geopolitically, as China and other countries grew richer, the world became more multipolar and the distribution of power across the global landscape more diffused. The world moves away from US unipolarity as the US sees both its (relative) power and interest in affording the global public good of maintaining multilateralism shrink. China's evident political non-convergence only provides another driving force behind modern Great Power rivalry, seeing US policy towards China shifting from engagement to protection against perceived threats.

Danny Quah concludes that "with both geopolitics and economics now centrifugal, the global challenge is no longer choosing the incorrect point on a trade-off locus. Instead, the danger is that nations end up in a prisoner's dilemma or epic fail gridlock" (p. 62).

Danny Quah offers three proposals to counter the growing fragmentation. One suggestion is to look for inadvertent cooperation, whereby mutual benefits emerge even without deliberate collaboration or binding contracts. Next are efforts—instigated by Third Nations—to break political gridlocks among the rivaling Great Powers mitigating tensions. The third proposal rests on the idea that the "spirit of multilateral problem-solving can be maintained in smaller subsets of the international community for restricted problem domains" (p. 62), which aligns well with Shujiro Urata's suggestion that efforts by the international community in pursuit of plurilateralism and innovative multilateral frameworks can help counteract the impacts of current economic and geopolitical dynamics.

Lili Yan Ing and Justin Yifu Lin's essay titled "Economic Transformation and the New Economic Order" (chapter 6) opens the book's section on "Growth and Structural Transformation," They review economic shifts over time in GDP, trade, manufacturing value added, and FDI. While developed countries dominated the world economy from 1900 to 1970, their central argument highlights the rapid catch-up of select developing countries as the force that has transformed the global economy over the past five decades. Their assessment of observed growth and structural transformation patterns closely follows neoclassical thinking emphasizing (relative) factor endowments and comparative advantage. But as part of any country's successful development strategy, they also highlight the role of the state in the provisioning of soft and hard infrastructure and addressing externalities, especially incentivizing first movers (entrepreneurs), so that the economy constantly adapts to an every-changing environment.

Today, digitalization is the foremost transformative force in the unfolding Fourth Industrial Revolution. Against this backdrop, Ing and Lin's policy recommendations for achieving sustainable economic growth emphasize optimizing comparative advantage and enhancing infrastructure. They envision a comprehensive supporting role for the government and advise gradualism in approach.

Dani Rodrik and Joseph E. Stiglitz's essay titled "A New Growth Strategy for Developing Nations" (chapter 7) diagnoses that the world is currently "at a turning point in development strategy" (p. 90). The traditional growth model followed by successful Asian countries that heavily relied on industrialization and export-led strategies, while offering fast-track productivity catch-up, has lost traction in creating jobs. In the past structural transformation involved moving low-skilled labor from agriculture into labor-intensive (low-value) manufacturing. With technology change becoming skills-and capital-biased, globally competitive manufacturing sectors have ceased being labor-absorbing strongholds of the economy. Manufacturing remains important in most countries for other reasons (export earnings, for instance), but a new development strategy for sustainable growth was needed. Rodrik and Stiglitz emphasize two potential engines for job creation and growth: the green transition and services.

Taking the need for the transformation of the energy system for granted, they depict the green transition as a welcome opportunity for large-scale investment and growth. Developing countries generally have one needed resource to make this happen: surplus labor. The challenge is to muster sufficient external financial support on reasonable terms—when, in reality, "net financial transfers to Africa have slowed down to a trickle, and low-and lower-middle-income countries have essentially lost access to bond markets" (p. 95). While the green energy transition can at least potentially make an important contribution not just to climate change mitigation, but also towards development more broadly, the fundamental challenge remains of "absorbing large amounts of additional labor from the agriculture and informal sectors into modern, productive sectors" (p. 95).

With manufacturing out, services win by default. Rodrik and Stiglitz note here that some countries have successfully created productive, globally competitive, tradable service industries, but add that these are typically skills intensive. Similar to modern manufacturing, they have typically limited potential to create employment for low-educated, low-skilled workers among the workforce of a developing country. The core of the development strategy will therefore need to focus on both the creation of more low-skilled service jobs *and* in boosting the productivity of the nontradable services in the economy.

Rodrik and Stiglitz propose a three-pronged strategy for governments: "(1) encourage lower-skilled job creation by larger firms that operate in non-tradable services, (2) provide public inputs and access to productivity-enhancing investments for smaller enterprises, and (3) invest in technologies that complement rather than replace low-skilled workers in services sectors" (p. 96. They expect the services-based development model to deliver lower growth rates than earlier star performers thriving on manufacturing exports. They also note that with the size of the domestic market limiting the expansion of non-tradable services of any type, balanced growth of service industries is necessitated by complementarity on the demand side. But they believe that the new strategy will deliver more inclusive and equitable growth since it "delivers direct income gains for poorer segments of society through better jobs and builds a middle class, rather than waiting for a trickle-down phenomenon from the export champions and largest firms. The quality of growth is higher, even if its quantity is lower" (p. 99).

Daron Acemoglu's essay titled "The need for multipolar artificial intelligence governance" (chapter 8) zooms in on the issue of governance of artificial intelligence: how AI technologies should be developed, used, and regulated, and how consumers and workers can have a voice in the process. Most fundamentally: who will control the new AI tools? AI is an information technology, and (control over) information is power. AI has the potential to produce great social benefits. There is also a vast potential for abuse. The AI revolution appears set to greatly impact labor markets and the global division of labor. Acemoglu fears that "on the current trajectory of AI, two groups will bear the brunt of the consequences, especially if events go poorly—(1) workers in the industrialized world and (2) citizens in the developing world. Neither of those two groups currently has any voice or power over the future of AI, however" (p. 109).

Industrial automation, replacing workers by deploying industrial robots, has been the order of the day in industrialized countries for decades. Wage polarization and income and wealth inequalities have soared. Is AI simply going to exacerbate these prevailing trends or is a better future possible?

After discussing the current state of play in some detail, Acemoglu concludes "AI governance is about politics, and if the power to shape the direction of AI remains askew, the fruits of this new technological platform are unlikely to benefit most people. The antidote is multipolar AI governance that aims to produce a more inclusive political process. This will allow a richer set of voices to shape the future of AI in a way that is consistent with a broader set of objectives and interests" (p. 115).

As "climate change is upon us" (p. 120), Alessio Terzi's contribution titled "The Green Industrial Revolution: Consequences and Policies" (chapter 9) analyzes the transformation of the current fossil fuel-based civilization into a net-zero emissions one. The green transition will either happen because, at some point, "the pressure of climate-induced disasters on human society will jolt all to action," or because governments succeed in organizing effective climate action sooner. In any case, "the green transition is inevitable, and trying to obstruct it will fail, resulting only in a waste of financial resources" (p. 127), Terzi proclaims.

Alessio Terzi compares the green industrial revolution with earlier industrial revolutions highlighting the similarities. Renewables are on track of becoming the cheapest electricity source in human history. Reduced energy costs will unleash rounds of "secondary innovation," which will have the effect of boosting productivity across the economy. As with earlier industrial revolutions, governments have a constructive role to play that can both accelerate its pace and alleviate any unequal consequences within society. Terzi is not hopeful that significant voluntary technology transfers to other nations will arise and expects that any voluntary financial transfers will remain subdued as well. Instead, he puts his hope on the effects of competition between pioneering countries investing in green technologies and declining prices due to dynamic scale economies: "As these new production methods scale up, they will become cheaper and eventually breach through price parity vis-à-vis the incumbent technologies. At that point, developing nations will no longer face the current trade-off between economic development and decarbonization, as the cheap option and green option will coincide. This will represent an implicit and unintended technology-driven financial subsidy to decarbonization in developing nations, as it will significantly lower the costs of the transition for latecomers. It will also significantly increase access to financing, as international capital seeking returns will naturally find green investments profitable in developing countries" (p. 127).

Of course, such market optimism ignores that waiting for commercial diffusion from rich to poor countries will delay the global green transition, risk "tipping points," and come along with corresponding collateral damages—concentrated in poor countries, but also to the detriment of humanity and the planet. This issue leads us straight to the subject of the final section of the book on "resource mobilization," which is of broader relevance to development challenges in Low and Middle Income Countries (LMICs) and the provision of global public goods beyond the inevitable global green transition.

The three contributions in this section offer complementary perspectives on the challenges facing LMICs. Jose Antonio Ocampo essay titled "International Financial and Tax Reforms" (chapter 10) concerns the strengthening of the international financial and tax systems. He discusses various proposals for improving the global economic order, including the role of Multilateral Development Banks, liquidity provision in crisis, financial flow management, Special Drawing Rights, sovereign debt restructuring, international tax cooperation, and reform of the Bretton Woods institutions with a view of enhancing the voices and participation of developing countries.

Jayati Gosh's contribution titled "Global Resource Mobilization: Health and Economic Recovery" (chapter 11) focuses on the lessons that should have been learned from the experience of the COVID-19 pandemic and fresh challenges posed to the economic recovery in developing countries by Russia's invasion of Ukraine and related events. Gosh argues that the current approach to health policies as inherently national in scope and orientation is outdated. Pollution, climate change, and the degradation of nature will only make matters worse, especially, but not only, in poor countries.

The book's final essay, written by Vera Songwe titled "The New Economic Order: Do Market Mechanisms Deliver Better Growth?" (chapter 12), highlights that the investments needs of LMCIs to meet the Sustainable Developments Goals (SDGs), including those related to the climate challenge, are truly huge. Among the various options to access foreign exchange, Songwe discusses the idea of "blended finance" whereby adequately leveraged public finance helps to crowd in private finance in LMICs

The book provides a well-rounded collection of perspectives on current globalization challenges. Some focus on the global order itself. Others focus on more specific challenges such as climate change or challenges with a concentrated impact on developing countries.

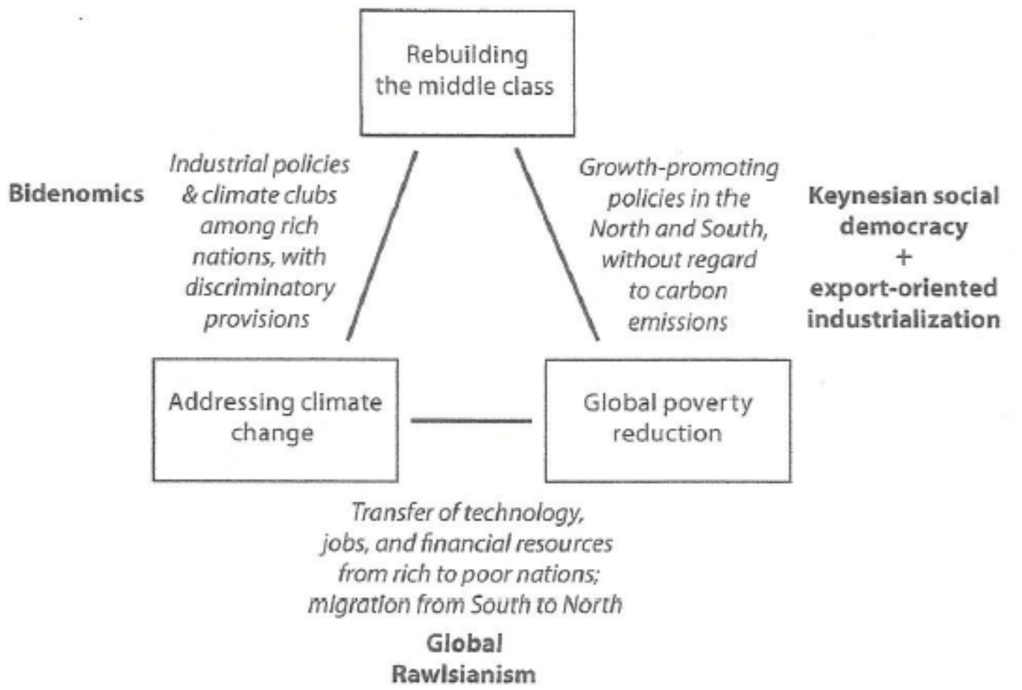
SHARED PROSPERITY IN A FRACTURED WORLD: A NEW ECONOMICS FOR THE MIDDLE CLASS, THE GLOBAL POOR, AND OUR CLIMATE

Dani Rodrik's latest opus *Shared Prosperity in a Fractured World* concerns many of the same globalization phenomena that are the subjects of the book reviewed in the previous section, but with a focus on three core topics: How to rebuild the middle class? How to reduce global poverty? And how to meet the climate challenge? All within the current contemptuous mode of (anti-)globalization.

Rodrik starts with the words:

> We want to live in societies that are free, a world without poverty, and a climate that is hospitable. We want, in brief, democracy, prosperity, and sustainability. How can we achieve all three, in a global economy that has become more conflictual, is rapidly moving away from its previously established norms and arrangements, and faces a fragile geopolitical context marked by US-China rivalry? How can we render them compatible, when so many policy currents are at cross-purposes, moving us away from the other goals even when they appear to advance one of them? These are the questions that lie at the heart of this book (p. 1).

Figure 2. Rodrik's (2025) "Triple Challenge"



Source: Rodrik (2025).

His earlier "globalization trilemma" verdict looms large in Rodrik's diagnosis of today's challenges: In the US, hyperglobalization and technological changes caused rising inequality, hollowing out the middle class, and leaving Trumpism and "democratic backsliding" in its trail. Trumpism (and increased support of ethno-nationalist populism more generally) does not provide any answers, only drives us further away from democracy, prosperity, and sustainability. Alas, even the less destructive policy alternatives promoted by more enlightened policymakers and scholars feature important tensions, as illustrated in Figure 2: "Triple Challenge," For instance, the pursuit of industrial policies with climate targets in the US and Europe, due to discriminatory provisions, is detrimental to global poverty reduction. The transfer of technology and finance to poor nations to address climate change and poverty in the spirit of "global Rawlsianism" (note: Rawls's principle of justice requires maximum attention to the needs of the least fortunate) may undermine the need to rebuild the middle class in rich countries. Old strategies like Keynesian demand policies in the North or export-oriented industrialization in the South not only lost their effectiveness in creating jobs due to technological changes but may also ignore climate change.

Figure 2 does not describe a new trilemma, but merely tensions between the three objectives when pursued by conventional approaches. Rodrik is searching for an alternative approach that can deliver win-win outcomes at all fronts at the same time:

> But is there such an alternative, and what does it look like? I offer in these pages both a warning and some reason for hope. The caution is that our present policy menu is inadequate to the task and creates serious conflicts among the objectives. It falls short because it overlooks political realities, the trade-offs among our multiple objectives, and our altered technological or geopolitical landscape. To meet all three of these challenges simultaneously—rebuilding the middle class, reducing global poverty, and addressing climate change—we need to depart from established ways of thinking and consider new approaches. We must do things differently, relying often on unconventional remedies (p. 7).

"Shared Prosperity in a Fractured World" outlines such an alternative approach in a changed global environment. Unsurprisingly, Rodrik accepts and welcomes the move away from "hyperglobalization" and towards global arrangements that more closely resemble the earlier "Bretton Woods Compromise" (see Figure 1); a global order of shallower integration that leaves sufficient policy space to countries, especially poorer ones. Chapter 2 analyzes "The failures of hyperglobalization," discussing the role of economics in shaping policy paradigms; reviewing the history of paradigms and different globalizations; highlighting that globalization produces winners and losers; and discussing the trade-offs between institutional convergence and diversity and between economics and geopolitics.

Policies in pursuit of the three core objectives are first analyzed separately in chapter 3 titled "Making the Green Transition Happen," chapter 4 titled "Building a Good Jobs Economy," and chapter 5 titled "Fostering Economic Growth to Reduce Poverty," The common strategy connecting the pursuit of all three objectives is called "productivism," which is presented in more detail in chapter 6 titled "A Productivist Paradigm," Essentially, "productivism" is a new name for industrial policies (explicit government programs designed to alter the structure of the economy), but with a focus on service industries. Rodrik highlights "experimentalist governance" featuring adaptability under uncertainty and an iterative cycle between policymakers and principal stakeholders. The final two chapters—chapter 7 titled "Remaking Globalization" and chapter 8 titled "A New Progressive Agenda"—then return to the subject of globalization, driving home the point that neither hyperglobalization nor Trumpism (and its offshoots and global ramifications) can deliver on their wild promises. A new progressive alternative is possible within the realities of a "thinner" and more flexible form of globalization. For in Rodrik's view, there are few domains where global cooperation is necessary (to avoid explicitly beggar-thy-neighbor policies), but many where national action should take priority.

Let me briefly elaborate on some of the main arguments, ideas and concepts relating to the three key objectives.

Regarding climate change, there may at first appear to be plenty of reasons for doom and gloom as first-best outcomes resulting from close global cooperation (approximating a global government securing the provision of a global public good) is clearly out of reach. But the reality is that the "free-rider problem" has not prevented the pursuit of effective policies at the national and local levels, especially in richer countries as well as China. Rodrik's optimism at this front highlights China's developmental environmentalism, industrial policies in Europe and the US, and rapidly declining prices of renewable energy. The key challenge concerns poorer countries that are unlikely to receive sufficient support from richer countries. They are hit especially hard by climate change and need to invest more in climate change adaptation as well as mitigation to contain the damage on their economies. Rodrik notes that "our best hope for [global cooperation on the part of major nations] is that advanced economies, including China in this instance, come to see transfers to poor nations to be in their immediate self-interest. Not enlightened self-interest, but selfish self-interest" (p. 88).

Regarding restoring the middle class—as the bedrock of democracy and bulwark against autocracy—, the charge is to build "good jobs" in adequate numbers. Alas, the traditional focus on manufacturing is moot because of technological changes.[1] Also, traditional full employment, education, and social insurance policies will not close the good-job gap. Instead, policy must focus on creating more good service jobs, especially for less-educated, lower-skilled workers, *and* boost their productivity as well. Rodrik discusses various examples of local programs that have successfully fostered these aims.

Regarding reducing global poverty, the issue is similar to restoring the middle class in richer countries, as modern development strategies will need to focus on creating growth and jobs in service industries rather than relying on export-led manufacturing industries as their highway to prosperity; "the magic of industrialization" is no longer working in creating both growth and jobs. Rodrik reserves some space for discussing China's—highly successful!—heterodox development policies featuring a comprehensive role for the government. But even China is losing manufacturing jobs today. Again, Rodrik discusses various examples of successful local services-focused programs. As an extra positive, boosting employment-absorbing services is unlikely to create trade tensions.

Overall, Rodrik delivers a thought-provoking fresh set of ideas that will inspire many enlightened debates on the future path of globalization. (There are clear echoes of these ideas in the two chapters co-authored with Joseph Stiglitz in the first-reviewed book above.) Rodrik concludes "Shared Prosperity in a Fractured World" with noting a paradox: "Earlier waves of reforms from the left—Keynesianism, social democracy, the welfare state—both saved capitalism from itself and eventually rendered their specific remedies superfluous. We need a similar response today, fit for contemporary realities. Otherwise, the winners will remain the far-right populists who inevitably lead the world to deeper division and greater conflict" (p. 221).

SOME ISSUES AND REFLECTIONS ON THE FUTURE PATH OF GLOBALIZATION

[1]Rodrik emphasizes that "none of this is to downplay the importance of manufacturing along other dimensions. Manufacturing plays an outsized role in driving innovation, and it is key to national security. It will play a critical role in the green transition ... Governments have legitimate reasons to ensure they have a solid manufacturing base. But where good jobs and the middle class are concerned, manufacturing is no longer the answer" (p. 101).

Apart from providing valuable insights of acute relevance for scholars and policymakers alike, both books reviewed above are also excellent classroom material. I will add here just a few reflections on some issues that seem to get short shrift in globalization debates.

First, analyses of globalization generally seem lack a proper global macroeconomic framework; risking committing "fallacies of composition," Authors in both books remind us of debates on import-substituting industrialization versus export-oriented industrialization. In the former case, the size of the home market is the constraint, calling for "balanced growth"; in the latter case, it is the global market, opening up "unbalanced growth" as an avenue. But for the whole global economy, growth still needs to be balanced to avoid disruptions and disappointment.

At the end of WWII, the US economy, boosted rather than destroyed by warfare, was far and away dominant in the world. Opening up to—reconstructing and then fast catching up—Western Europe meant both import competition and fast growing export markets for American corporations; proving not too disruptive. We talk about subsequent rising stars practicing export-oriented growth, Japan, the "Asian Tigers," and China, as success stories that apparently presented *simultaneously* available options to all countries alike. Yet, in each *successive* subsequent case alone, disruptions experienced in the US and Europe were strong enough, as to trigger protectionist responses. Can we really imagine that if all developing countries adopted the same strategy focused on exporting to rich countries, those countries would offer their warm and welcoming response?

At issue is not just the immediate labor market impact but the induced macro policy response at the center. When the "Asian crises" hit in the late 1990s, the Federal Reserve eased policy, helping crisis countries to survive by exporting which, in turn, kept US inflation low. Yet, the context was the US dot.com bubble, which burst in due course, leaving impaired corporate balance sheets in its trail. There is a lesson in path dependency here. As the turn towards precautionary macro policies in emerging markets in the aftermath of EM crises added to pressures felt in US labor markets from China and the euro area, Fed easing in the early 2000s enticed the next bubble; this time leaving impaired households balance sheets in its trail. Hyperglobalization severely constrains policy space of LMICs. But vulnerability and dependency in the periphery has systemic repercussions on the US hegemon (Bibow 2022).

China is the outstanding success story of export-oriented industrialization. And Rodrik is right to highlight heterodox development policies rather than market fundamentalism à la Washington Consensus as the source of that success (Weber 2021). Given China's economic weight today, it is illustrative of the hypothetical case of all developing countries pursuing the same export-oriented strategy simultaneously. Talk of the "China shock 2.0" today pinpoints the fallacy of composition afflicting the naïve promotion of that strategy. As all countries need to earn foreign-exchange revenues, all countries need some competitive goods and/or service exports. But it is time to let go of the export obsession behind traditional policy advice and embrace the role of nontradable services in employment that Rodrik propagates—which is in line with Keynes's "bancor plan" that had all countries focus on managing their domestic economy for stability and growth.

Next, despite Rodrik's call "to depart from established ways of thinking and consider new approaches. [And his advice that we] must do things differently, relying often on unconventional remedies" (p. 7), he strangely stays shy from even mentioning Minsky's (1965, 1986) "employer of last resort" (ELR) proposal. Rodrik refers to much local experimentation and notes that the seeds of "innovative approaches already exist within prevailing practices around the world," But this begs the question of how this will be paid for—if pursued at scale!—if not at least partly by the government. Modern Monetary Theory (MMT) has provoked much—mostly misguided—controversy. MMT makes it clear that a federal government that can pay easily for unlimited warfare and tax cuts for billionaires can equally use its powers to pay for more socially beneficial projects (Kelton 2021).

As a related matter, while both Rodrik and scholars promoting ELR (Tcherneva 2020) rightly emphasize that for most people work means more than "suffering disutility but yielding income." Work is part of people's identity, it defines their community role, Rodrik is similarly quiet on the *quantity* of work that is necessary and aspired, to yield both income and utility. Conspicuously, Europe and the US have parted ways in the quantity people generally work. And, probably not unrelated, many European countries and the US have also parted ways in their citizens' assessments of the quality of life enjoyed respectively. If, as I suspect, many Americans work far more than they would like to, why is that the case?

Inequality is the short answer (Bibow 2024). Put differently, America's oligarchs are more effective in shoving Americans to work more than they would choose to if the fruits of their labor were distributed more equally. Rodrik, much in line with debates on this matter generally, highlights both technology and trade as forces behind rising inequality in the US; and I have no doubts about their relevance. Arguably, however, deliberate policy choices favoring the rich and powerful (lowering taxes and regulations) provided the most important force of all. Policy choices could have offset the impacts of technology and trade. Instead, they aggravated their impact. If we are hoping for a "new progressive agenda," the effectiveness of past (regressive!) policy choices needs to be center stage in the discussion.[2]

Finally, while I am very sympathetic to Rodrik's "globalization trilemma" reading of today's right-wing populism being at least partly the consequences of hyperglobalization, it must be said that, despite all appearances that the Trump administration is intent on destroying the global order, it is not clear that they are against neoliberalism and globalization as such. Slobodian (2025) argues that contemporary far-right populism and globalization backlash are not a rejection of neoliberalism, but a mutation and continuation of it. Patrick Foulis (2026) argues that "It is a mistake to think of the second Trump administration as a return to 1930s protectionism or Chinese-style mercantilism. Instead it is best described as a project to ensure the US cannot be coerced economically and 'gets paid' for the superpower services it provides to the world" (FT 24 July 2026). In other words, whether or not the US was ever a benevolent hegemon, the Trump administration seems to be embracing the model of an extractive rogue state, projecting global power through both trade warfare and military warfare.

[2]20 years ago, multi-billionaire Warren Buffett famously observed: "There's class warfare, all right, but it's my class, the rich class, that's making war, and we're winning" (quoted in Stein 2006).

Regarding the Sino-American rivalry, visibly observed in the field of AI, the rest of the world is thus left with the unappetizing choice between rule by either China's Communist Party or America's unfettered tech oligarchs (enabled by America's finance oligarchs, empowered by dollar-Fed-Treasury backing)—a choice between Scylla and Charybdis.

Europe may be offering humanity's best chance to escape this nasty quandary by providing a global countervailing power of (potentially) sufficient force. Alas, Europe has its own internal challenges to overcome.

THE EUROPEAN EXPERIMENT AND PREDICAMENT

Seen in terms of Rodrik's "globalization trilemma," Europe has chosen the "regional governance" arrangement that requires joining democratic politics to hyperregionalization. Economically, the aim is to turn national markets into one fully integrated common internal market of currently 27 member states. Europe has added a common currency that is now in its third decade and includes 21 members. Members have given up their national sovereignty to some degree, with sovereignty being pooled and shared in some areas to yield to European governance. Organizing democratic politics at the European level has proved a challenge. Respecting the principle of subsidiarity, adding a federal level of government on top of the government structures of 27 democracies invites controversy. The European Commission and European Parliament do not have powers comparable to the US Administration and US Congress in America's model of federalism. "Strategic autonomy" emerged on the EU agenda some time ago. But when will national power players accept that in certain areas and challenging environments their national self-interest may be best served by submitting to the European interest?

Other challenges directly concern economic integration. Deep integration has the same effect regionally that arises when undertaken globally: national policy space shrinks. Therefore, market integration must be paired with policy integration. Otherwise, a policy vacuum will arise. This was understood in the case of competition policy, but not in others. The EU's most fundamental defects concern its common currency, the euro regime (Bibow 2020). For one, and despite all the concerns about "asymmetric shocks," Europe failed to appreciate that giving up the exchange rate for intra-area adjustment required countries to align their wage-price trends with the ECB's price stability norm. Germany's protracted wage deflation prepared the ground for the costly "euro crisis," For another, Europe has yet to appreciate the inherent and vital nexus between monetary and fiscal policies. Sharing the euro not only takes away monetary sovereignty from members, but also fiscal sovereignty—as member states issue their sovereign debts in a currency they do not control. Member states are facing a fiscal straightjacket (the so-called "Stability and Growth Pact"); just like US states, one might think. But there is a crucial difference. There is no federal "Euro treasury" issuing federal debts that—paired to the federal central bank—is the source of US dollar power at home and in the world. Lacking this vital macro power leaves the euro currency union critically vulnerable. A defect that does not help the objective of "strategic autonomy" a bit.

Having embarked on the path towards "regional governance," Europe has no chance but to progress further. This requires fixing the above defects and more effectively organizing European democratic politics. Sooner rather than later as the current state is not sustainable. And moving in the opposite direction would only add to the fragility of the union.

In today's global environment featuring Great Power rivalry, the EU best fits the category of "other players" that, according to scholars like Shujiro Urata and Danny Quah (see above) could play a constructive role in sustaining global cooperation at a time when it is urgently needed. Will Europe, the source of the enlightenment that sparked mankind's modern trajectory towards science, democracy and prosperity, rise to the occasion and reignite the enlightenment flame?

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