

Higgledy-Piggledy:

Without any order of position or direction;
in huddled or jumbled confusion and disorder;
with heads and tails in any or every direction.

Oxford English Dictionary

Different strokes for different folks.

Familiar adage, line of popular song

1. Introduction

Governance compels trade-offs between independent decisions and cooperative decisionmaking. Practical choices fall between the extreme of complete decentralization for individual decisions and the opposite extreme of cooperative decisions requiring full centralization of authority. The core of governance is to identify and sustain appropriate compromise decisions for collective action.

Substantial benefits accrue to jurisdictions that are open to localities outside their borders. But external openness can also entail substantial costs. Governing institutions must weigh how much to preserve valued local autonomy while promoting desired benefits from external openness. Preservation of local separateness competes with enjoyment of benefits from unrestricted cross-border flows of people, capital, goods, ideas, technologies, and information.

Identifying compromises for managing border tensions is an inexorable headache for governance leadership. The issues arise for jurisdictions of all sizes and types. The problems are espe-

cially difficult for the two-hundred-odd nation-states that are the dominating jurisdictions in today's world polity.

The preceding sentences identify issues abstractly. Some specific examples, however, might better resonate with readers. Consider for a moment, then, instances where external openness and local autonomy are in conflict.

Suppose a local mayor were to assert that “many of our foods and medicines are imported from a foreign country where safety standards are inadequate. The foreigners even permit chlorinated washing of chicken products at the end of their production lines. Such treatments try to compensate for poor hygiene standards—for example, dirty crowded abattoirs. I do not want unsafe foods and medicines sold in my local shops. Furthermore, safety conditions for the workers on foreign production lines are less stringent than those protecting our own local workers.” Some questions: Does the mayor have a convincing case for remedial actions to be taken by the foreign country? How should the foreign country react to demands for improved safety conditions? If the foreigners argue that the home case is flawed, how should the cross-border controversies be resolved?

Different border tensions arise when foreign jurisdictions are critical of the laws and regulations in a home jurisdiction. Suppose a home official charged with promoting domestic development acknowledges privately that home financial institutions are permitted to follow relatively lax regulations when lending to and accepting deposits from clients: “Our banks and legal firms do have a reputation for sailing close to the wind in monitoring cross-border money laundering. De facto, we are a tax haven for encouraging legal tax avoidance (but not evasion). Some foreign governments complain. But our country uses such regulations to promote our financial and economic growth. Moreover, we have sovereignty in these matters. It is unfair for foreign governments and international institutions to demand we adopt more stringent measures when such measures are not in our own interest.”

Questions: Is this local reaction to foreign criticisms appropriate? From whose perspective? How are sovereignty and autonomy related? Should home regulators be obliged to cooperate with foreign regulators in reducing money laundering and excessive tax avoidance in the world financial system?

Local autonomy conflicts with external openness most abrasively for flows of people across borders. “Our homeland,” complains a localist neighbor, “is inundated with foreign immigrants. Plumbers coming from Poland are taking away my indigenous clientele. Our schools are filling up with immigrant children and complicating achievement of our educational goals.” A more extreme complaint is that “our cultural identity is eroding. Our homeland is filling up with foreigners. This influx *must* stop.” But a group of outward-looking neighbors stresses, “Our economy needs immigrant workers to satisfy demands for seasonal agricultural labor. And on moral humanitarian grounds, we *must* provide support for asylum seekers and refugees fleeing from political persecution and natural disasters abroad.” Yet other voices observe that “immigration flows result in convoluted combinations of effects on local residents. Some locals experience net gains while others suffer net losses. It is inevitable that views will differ sharply and prove politically contentious.” Question: Does a practicable center of gravity exist for migration policy decisions—a sustainable middle-ground consensus—between the unrealistic extreme of unfettered freedom to cross borders and the unrealistic and inhumane exclusion of foreign migrants, including even asylum seekers and refugees?

Leave aside examples for a moment. Instead, ponder the implications of a dominant fact. The political structure of our planet is extremely complex. Its multiple jurisdictions are higgledy-piggledy: fractured, disorderly, with heads and tails in any or every direction. Why is this structure significant? The simple answer is that a higgledy-piggledy political structure can generate higgledy-piggledy governance. Decentralized decisions

among noncooperating jurisdictions can, and often do, encourage damaging cross-border behaviors that undermine the mutual well-being of the jurisdictions.

This book identifies numerous instances of self-interested actions among noncooperating jurisdictions that can cause failures of mutual well-being. For individuals and small groups, such failures within jurisdictions are regularly perceived and widely understood. What is less widely perceived is how this issue permeates all aspects of cross-border interactions and how failures of international collective action are becoming gradually more detrimental. Collective-action failures that are harmful among smaller groups and jurisdictions can be especially damaging when the decentralized noncooperative decisions are made by the world's two-hundred-odd nations.

Now a metaphor: Governance in today's and tomorrow's higgledy-piggledy world is like a convoluted motorway along which diverse vehicles travel in multiple directions. The vehicles include large buses with numerous passengers, heavy and light trucks, single autos, motorcycles, even scooters and bicycles. Given the plethora of vehicles, not all drivers' decisions can be fully decentralized. Individual vehicles cannot plausibly set their own speed limits. All drivers must accept some rules of the road. Those rules need to be cooperatively agreed to among governance officials, road architects, and vehicle owners. Governing authorities must be able, when necessary, to enforce the rules.

The motorway entails the combination of individual and small-group decisions already familiar from national highways and local roads. But the planetary motorway has additional, complicated twists. It requires innovative interactive engagements. The governance units of nations are increasingly deeply involved as *decentralized* decisionmakers in a larger context. The existing planetary motorway, in effect, operates less and less smoothly without adequate rules of the road. Sadly, rules of the road and off-ramps are out of date or nonexistent. Accidents can

occur more often. Greater need for improved rules and more intense cooperation requires enhanced engagement from national governments—*acting together collectively*. (As discussed in subsequent chapters, the absence of cooperation about rules of the road, and an absence of cooperation of how and where to provide off-ramps, permits greater scope for market failures (so-called “externalities”) that cause more numerous and more serious accidents.)

Examples of the need for enhanced international collective action leap to mind. The classic historical illustration is the disruption in cross-border trade flows during the Great Depression. The infamous Smoot-Hawley Tariff Act in the United States (June 1930) sharply raised tariffs on thousands of categories of U.S. imports. The contention was that this decision would protect American businesses and farmers, thereby improving the U.S. economy. Many foreign nations, some in response to Smoot-Hawley, retaliated with their own enhanced restrictions on their imports. Historians and economists widely agree that the tit-for-tat escalation of import restrictions contributed to a sharp decline in international trade, harmed rather than helped the U.S. and foreign economies, and seriously exacerbated the depression. When tariffs and other trade restrictions are imposed unilaterally and aggressively, the ultimate outcome for all nations can easily become a negative-sum game in which most or all nations suffer net losses.

Conversely, history shows that cooperative international agreements will often yield a better resolution of trade policy disputes. Notably, after World War II, international sentiment for cooperative trade agreements eventually led to the creation of new international institutions such as the International Monetary Fund (IMF) in 1944, the General Agreement on Tariffs and Trade (GATT) in 1947, and ultimately the World Trade Organization (WTO) in 1994–1995.

A quintessential example for the future stems from global cli-

mate change caused by the burgeoning emissions of greenhouse gases. The climate-change crisis, as discussed in detail later, is gradually worsening. It is an existential threat for the entirety of life on the planet. Without explicit international discussions that lead to collective monitoring and enforcement mechanisms, individual nations will inevitably be entangled in a negative-sum game in which most will suffer badly. Increased collective action is essential. Cooperative multinational discussions, yielding binding international agreements, are indispensable if humanity hopes to make progress in mitigating global climate change.

Issues of financial stability in a progressively integrating world financial system are legion. For example, recall the financial panic that spread from one banking system to another in the fall of 2008 and early 2009. Without concerted cooperative intervention by the major central banks, the instabilities in financial interactions across borders could easily have been much worse and caused still sharper declines in outputs and employment. This book frequently highlights cross-border issues of instability and misbehavior in finance, and considers measures to mitigate those risks. One of the illustrative examples above already identified issues of financial cybercrime, including inappropriate encouragements of tax avoidance and money laundering.

The early years of the twenty-first century saw heightened problems resulting from the cross-border migration of people. Many international agreements about refugees and asylum seekers inherited from the twentieth century were weakened. Cooperative measures to manage the pressures for cross-border “economic” migrations (motivated by the desire to improve economic well-being) slipped backward rather than progressing forward.

Joint management of the risks from nuclear weapons have troubled national governance for decades. Tensions have not abated. Proliferation issues with additional nations have intensified. Despite episodic progress from time to time, cooperative

efforts for joint monitoring and oversight of the risks have not kept adequate pace with weapons capabilities and their spread.

A catalog of governance issues with cross-border complications could be extended in numerous directions. On the optimistic, “successful” side of the catalog are examples such as the collaboration among national governments about the use of the Antarctic landmass; the Montreal Protocol of 1987, which limited the use of ozone-destroying chlorofluorocarbons; the activities of courts on several continents and of the International Court of Justice ruling on human rights violations; and efforts to mitigate the overfishing of marine life in the oceans (for example, the International Whaling Commission). On the pessimistic side, the catalog includes examples such as the absence of cross-border management of the harmful flow of misinformation through digital social media; inadequate intergovernmental guidelines for coordinating national policies for the protection (and avoidance of overprotection) of intellectual property rights; failures of cross-border collaboration to decelerate the worldwide excessive use of forests and other natural resources; and the absence, so far, of collective action among nations with space programs to reduce potential conflicts of satellite trajectories and the decentralized littering of orbital debris.

Some final introductory observations: The subject of this book, defined broadly, is the intensifying tensions confronting governance choices created by the progressive integration of our higgledy-piggledy planet. There are two practical goals. I try to clarify ideas about how to resolve the competing pulls of local autonomy and external openness. And I hope to generate new insights about the varied ways that public life, international as well as domestic, necessitates compromise combinations of decentralized decisions and cooperative interactions.

My life as an economist has focused on interdependent nations. This book follows naturally from that earlier work. But my aspirations here differ somewhat. I step back from particulars

and instead highlight fundamentals. My strategy is to analyze governance choices viewed broadly for the planet as a whole. Hence I focus on the major parts of the landscape's topography. I suppress many details, instead surveying the landscape as if seen by an eagle flying high overhead.

Some readers might feel ill at ease with this eagle's-flight perspective. An overview cannot avoid focusing on analytic fundamentals. But that requirement does create difficulties. Several colleagues have advised me to de-emphasize my analytical focus. They fear that some readers may become impatient with abstract framing of issues. They correctly point out that many people are less interested in the basic issues of collective governance than in analyzing specific examples.

These difficulties have shaped my writing. Yet I have stubbornly resisted the idea of deleting analytical basics. Only when fundamentals are lucid is it possible to achieve clarity about specific details. Reliable insights require an integrated perspective of the entire landscape.

An overview necessitates some trespassing on the turf of other social science disciplines. One cannot obtain an eagle's perspective without venturing well outside narrowly defined economics, and the potential net gains justify any perceived trespassing. (When economics is understood expansively, there is no trespassing.) If this overview should misrepresent facts or truths, future updates from the other disciplines will identify needed revisions.

My generalizations here are targeted at diverse participants on the metaphorical motorway. I most hope to reach policymakers and leaders directly responsible for these issues—those who design and revise the rules of the road, those who drive the largest buses, those enforcers who try to keep vehicles from going astray. Simultaneously, I hope to reach many bus and car passengers who are just engaged participants.

The analysis here makes a strong normative plea for enhanced

international cooperation in governance choices. Such cooperation will become more essential in the turbulent future that lies ahead. The tone of my writing tilts toward pessimism, on occasion perhaps even unduly. This tilt is easily explained. In recent years the largest political jurisdictions in the world took unwise, adverse turns on the motorway. Sadly, thoughtful cross-border collective action frequently slipped backward. My own nation, the United States, was a major contributor to the backsliding, undermining its previous global leadership and foolishly creating dangerous doubts about future American credibility. This recent experience has led me to focus on issues where collective governance across jurisdictional borders has been inadequate.

I do not believe, nor want to imply, that progress in international cooperation has been inconsequential. On the contrary, throughout history and in numerous substantive areas, examples of cross-border cooperation have been prominent and unambiguously favorable. Analyses by scholars of international relations have produced a sizable literature.

When struggling with these issues, one needs to maintain perspective, to achieve a balance between pessimism and optimism. Nurturing international comity and enhancing cooperation are essential for a safe, sustainable evolution of the planet and its multiple jurisdictions. The world community must somehow gradually construct future rules of the road that are stronger, mutually beneficial, and better maintained. Every public-minded person should be concerned about improving collective governance for the individual jurisdictions and the planet where their children and grandchildren hope to prosper.