

Globalisation and Public Policy: How International Economic and Social Change Influences the Policy Space of National Governments

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ABSTRACT

This article examines the effects of globalisation on the policy space of national governments. It begins with the meaning and dimensions of globalisation and then reviews the main theoretical positions, namely hyperglobalist, sceptical and transformationalist accounts, together with the institutional and constructivist literatures that complicate them. Then it focuses on domestic policy autonomy, international institutions, economic and social globalisation, technology and migration. It then examines the public policy responses of states, the specific situation of developing countries and the current debate on policy convergence or divergence. I argue that the strong claim that globalisation has hollowed out the state finds little support. The weak claim that globalisation affects the costs, constraints and tools of governance is well supported. Outcomes are highly dependent on domestic institutions, on a country's place in the world economy, and on the policy area under consideration. The article concludes with reflections on critical perspectives that pose real concerns about inequality, democratic accountability and unequal bargaining power.

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Introduction

Today, almost every aspect of public policy has an international component. A finance ministry considers capital flows when setting corporate tax rates and a health ministry considers trade rules on medicines and intellectual property. A labour ministry watches competition from lower-wage economies. An interior ministry works in a migration system that no state controls. One of the more contested questions in political economy is whether this is best described as globalisation 'constraining' governments or simply changing the environment in which governments work.

I framed this topic in the form of a rather simple puzzle. There is a large literature on one hand claiming that the nation-state is losing out to markets and international organisations (Ohmae, 1995; Strange, 1996). On the other side there is an equally large literature showing that welfare states, tax systems and regulatory regimes have not collapsed and that countries still make quite different choices (Garrett, 1998; Swank, 2002; Weiss, 1998). Both cannot be entirely right and in this article I try to work out what is going on.

The article is organised as follows. The first part discusses the meaning and dimensions of globalisation. The second focuses on theory. The third to seventh sections discuss domestic autonomy, international institutions, economic globalisation, social globalisation, technology and migration in turn. The eighth and ninth are about public policy responses and developing countries. The tenth is about convergence and divergence, and the eleventh critical perspectives. In the theory section a comparative table is presented. I have tried to stay with sources that I can identify with confidence. I flag places where the evidence is contested or where I am relying on general scholarly consensus rather than a particular figure.

The Meaning and Dimensions of Globalisation

Part of the problem is that there is no agreed definition of globalisation. It was described by Giddens (1990) as the 'intensification of worldwide social relations which link localities so that local happenings are shaped by events taking place many miles away'. Robertson (1992) pointed out not only the compression of the world but also the growing consciousness of the world as a whole. Held et al. (1999) provided a more formal definition as a process that involves a widening, deepening and speeding up of worldwide interconnectedness. For Scholte (2005), the more useful feature to focus on is "supraterritoriality", social relations that are not tied to fixed territorial locations. He criticised definitions that treat globalisation as simply more trade or more internationalisation.

A useful distinction here is that made by Keohane and Nye (2000) between globalism, a condition of the world where networks of interdependence criss-cross continents, and globalisation, the rise or fall of that globalism over time. This matters because it makes globalisation a matter of degree and direction, not an accomplished condition. It also allows one to say that globalisation can go into reverse, or be uneven across areas, which is important given recent debates about trade tensions and supply chain reshoring.

Most authors also agree that globalisation has several dimensions and that they are not always moving in tandem. The common ones are:

- Economic globalisation: trade, foreign direct investment, financial flows and the organization of production across borders.
- Political globalisation: the expansion of international institutions, norms and transnational governance mechanisms.

- Social and cultural globalisation: the flow of ideas, information, norms and people and the diffusion of shared cultural reference points.
- Technological globalisation: communication and transport technology which reduces the cost of co-ordination across distance.

Some empirical works attempt to measure these dimensions together. For instance, the KOF Globalisation Index distinguishes between economic, social and political globalisation and has been extended to distinguish between de facto flows and de jure policy openness (Gygli et al., 2019). This distinction is useful for public policy because a government controls its legal openness (tariffs, capital controls, visa rules) far more directly than it controls actual flows. The space between the two is the space domestic policy operates in.

Let me add one warning here. It is easy to speak of "globalization" as if it were an actor perpetrating upon states. Scholte (2005), among others, warns against this. Globalisation is a set of processes that includes the states themselves, as the states negotiated trade agreements, liberalised capital accounts, and built the institutions we now say constrain them. That point is returned to repeatedly below.

Theory of Globalisation

Hyperglobalists, sceptics and transformationalists

The most common way to structure the discussion is the three-part typology in Held et al. (1999). Hyper-globalists, such as Ohmae (1995) argues that a true global economy has emerged that forces national governments to follow the logic of the market and that the nation state is becoming an unnatural unit of economic organization. Strange (1996) also argued that state authority had 'retreated' and dispersed to markets, and to other non-state actors, although she was more concerned with the structure of power than simply economic integration.

Sceptics such as Hirst and Thompson (1996), argue that the extent of globalisation is overstated. They note that the world economy was in some respects at least as open in the decades before 1914, that most trade and investment is concentrated among rich country blocs, and that national governments and regional groupings remain key players. Likewise, Weiss (1998) has argued that the "powerless state" is a myth and that states have adapted rather than withered.

Transformationalists (Held et al., 1999; Giddens, 1990) view globalisation as a historically new yet uneven process that is reconstituting rather than abolishing state power. Sovereignty is not lost, but fragmented and re-articulated across levels of governance. Similarly, Sassen (1996) has argued that some state functions are being transferred to transnational arenas and to private actors, while others are being reinforced.

Embedded Liberalism and the Compensation Thesis

Ruggie (1982) argued that the post-war international economic order was based on a compromise he termed embedded liberalism, in which liberalisation of trade was permitted because states remained able to cushion domestic society from its costs through welfare policy and macroeconomic management. Much earlier Polanyi (1944) had argued that self-regulating markets create social counter-movements demanding protection. Both perspectives help to explain a finding that seems odd at first. Rodrik (1998) found that the more open the economy, the larger the government tends to be. He interpreted this as a demand for insulation from external risk. That is, openness does not just make the state smaller and sometimes appears to make the state bigger. In a related vein, Hays (2009) later argued that the politics of embedded liberalism persists into the age of globalisation, albeit with significant qualifications.

Competition State and Efficiency Requirements

The contrary intuition is that mobile capital punishes governments that tax and regulate heavily, producing a "race to the bottom." Cerny (1997) described a transition to the "competition state" in which governments focus on making national economies attractive to mobile capital rather than decommodifying welfare. This is a more subtle claim than a crude retreat argument, for it says the state is still active, but changes its purpose.

Diffusion, Constructivist and Institutional Views

A separate body of work asks how policies actually travel. Simmons and Elkins (2004) found that the dissemination of liberal economic policies among countries occurred via competition and via learning and emulation, not only via direct coercion. Dobbin et al. (2007) reviewed the literature and found four broad mechanisms of policy diffusion: social construction, coercion, competition, and learning. World-society theorists, most notably Meyer et al. (1997), argued that, in part, the organisational forms and policy models of nation-states become similar because global cultural scripts determine what a "legitimate" modern state looks like, independent of local functional need.

Conversely, the varieties of capitalism approach (Hall & Soskice, 2001) argues that firms in different national systems rely on different institutional complementarities, so global competition can reinforce distinct national models rather than erase them. In this framework, the same external pressure can generate different responses from liberal market economies and coordinated market economies.

Comparison of the views

Table 1 provides a summary of the main perspectives on the issue at the heart of this article.

Table 1
Competing Theoretical Views on Globalisation and Domestic Policy Autonomy

Perspective	Key works	View of state autonomy	Expected policy outcome	Main critique
Hyperglobalist / retreat of the state	Ohmae (1995); Strange (1996)	Greatly reduced by mobile capital and global markets	Convergence toward market-friendly, low-tax, low-regulation policy	Overstates integration; ignores continued national variation
Sceptical	Hirst & Thompson (1996); Weiss (1998)	Essentially unchanged; states remain the key actors	Continued national diversity; limited convergence	May underplay real changes in finance and cross-border production
Transformationalist	Held et al. (1999); Giddens (1990); Sassen (1996)	Reconfigured and shared across levels of governance	Mixed; depends on issue area and state capacity	Difficult to falsify; can be vague about outcomes
Embedded liberalism / compensation	Ruggie (1982); Rodrik (1998); Hays (2009)	Compensation policies maintain embedded liberalism	Larger public sectors in open economies; welfare buffers	Capital becomes more mobile; compensation may be under strain
Institutionalists / varieties of capitalism	Hall & Soskice (2001); Garrett (1998); Swank (2002)	Mediated by domestic institutions and partisan politics	Divergence along institutional lines	May underplay pressure on weaker or smaller states
Diffusion / world-society	Simmons & Elkins (2004); Dobbin et al. (2007); Meyer et al. (1997)	Emulation, learning, competition, global norms	Partial convergence in policy models, often loosely coupled	May overlook power asymmetries and coercion

N.B. The table is an author's simplification from mentioned works. Many scholars blend elements of more than one perspective.

I think the table shows these are not all direct competitors. Some are answering other questions: The hyperglobalizers and sceptics battle over the extent of change, and the institutionalists and diffusion scholars debate the mechanisms of transmission and filtration of change.

Domestic Policy Independence

The best way to understand policy autonomy is as the ability of a government to select and enact policies that are consistent with its own political and social preferences. Rodrik (2011) described this as a "political trilemma," in which deep economic integration, national sovereignty and democratic politics cannot all be fully had at once. To push integration further a country has to give up some democratic politics or national policy discretion. Rodrik's argument is a frame, not an iron law, but I think it's a useful way to think about why globalisation feels like a political issue and not just an economic one.

There are at least three ways in which autonomy can be constrained. First, there are market constraints: the risk of capital flight or non-arrival, of currencies coming under pressure or borrowing costs rising. Mosley (2003) examined the ways in which financial markets discipline governments, concluding that the pressure is real but selective, as investors focus on certain policy variables (inflation and fiscal deficits) while accepting large variations in others (labour and social policy). Second, there are legal and institutional constraints, created by treaties, membership rules and conditionality in lending. Third, ideational constraints, where ideas about what constitutes "sound" policy are circulated internationally and influence what domestic elites find feasible (Babb, 2013; Dobbin et al., 2007).

Crucially, these constraints do not affect all policy areas in the same way. There was no simple relationship between globalisation and the size of government in empirical work on the OECD. Garrett and Mitchell (2001) studied government spending and taxation in OECD countries and found modest and mixed effects of trade and capital mobility; domestic partisan factors and economic conditions were important. Garrett (1998) has argued that left-leaning governments with strong labour organization could afford generous social policy without being punished by markets, and could in some circumstances combine openness with high spending. Similarly Swank (2002) found that the effects of capital mobility on welfare states differed depending on domestic political institutions, with inclusive and consensual systems better able to protect social programs.

I would say that autonomy is not lost but it is priced differently. Choices that were relatively cheap before (high corporate tax rates, capital controls, generous but poorly targeted subsidies) now come at a cost in terms of investment or market confidence. Governments can still pick them, but they have to take the trade-offs. Small open economies and those that depend on external borrowing usually have steeper prices than large or financially secure economies, and this leads us to the developing country question later.

International Organisations

International institutions are central to this story because they are the venues where much of the rule-making that affects domestic policy is done. They further clarify that states are not merely victims of globalisation, as states create and maintain these bodies.

Finance, Trade and Development Institutions

The Marrakesh Agreement (1994) created the World Trade Organization (WTO). The WTO provides binding rules for tariffs, subsidies, services and some domestic regulations that affect trade, and a dispute settlement system. The International Monetary Fund (IMF) and the World Bank lend money and in the past they have attached policy conditions to their loans. Woods (2006) examined the influence of these two institutions on the policies of the borrowing governments, asserting that while they were influential, the most powerful shareholder states still had a significant degree of control over

the direction of these institutions. Babb (2013) traced the rise of the Washington Consensus, the set of market-oriented reforms first summarised by Williamson (1990) as a transnational policy paradigm, and how it was later revised and partly displaced.

Then there is an internal criticism. In the IMF's own magazine, Ostry et al. (2016) argued that some elements of the neoliberal agenda, in particular some forms of capital account liberalisation and fiscal austerity, had costs in terms of inequality and stability that had been underestimated. I make this point because it demonstrates that even the institutions most associated with liberalisation have been reconsidering their positions. But it should not be overdone. It was an article by IMF staff economists and it is not a change of institutional policy across the board.

Soft Law, Norms and Transnational Networks

Not all international influence is in the form of binding treaties. Abbott and Snidal have, in their 2000 paper, explored the use of "hard" and "soft" law in global governance and the reasons why states would choose softer tools, which are more flexible and cheaper to deal with if things go wrong. Slaughter (2004) described "government networks" where regulators, judges and legislators of different countries cooperate directly, producing a form of governance that is not captured by looking only at formal organisations. Barnett and Finnemore (2004) argue that international organisations can wield their own authority through expertise and classification, influencing how problems are defined.

This matters for domestic policy, because these softer channels are more difficult to contest politically. Parliament may debate binding trade rules. Technical standards or best practice guidelines often trickle into domestic regulation with little public attention. This is one source of the democratic-deficit concern that critics raise (see critical perspectives section below).

Regional integration

The European Union is the most developed example of regional integration, with a legal order in which member states accept the primacy of some supranational rules. I won't go into the EU in any depth here but note that there are a range of options in regional integration and it has a more direct impact on domestic policy than most global institutions. The 'Brussels effect' Bradford (2020) has argued that the EU has a large regulatory reach beyond its borders because of the size of its market and its regulatory capacity. This complicates the simple picture of small states being constrained by global forces, as a large regulatory power can also export rules.

Economic Globalisation

Economic globalisation is the dimension that people usually think first. It covers trade, foreign investment, cross-border finance and global value chains. The World Bank (2020) recorded the emergence of global value chains, the shifting of different stages of production to different countries and examined how this is altering the relationship between trade and development. Baldwin (2016) argued that information and communication technology allowed for the "unbundling" of production across borders, enabling location decisions for individual tasks rather than whole industries, which he saw as the main feature of the new globalisation.

Poverty, inequality and growth

The impact of economic globalisation on growth and poverty is contested. Dollar and Kraay (2004) argue that developing countries that increased their trade participation grew faster and that this growth was beneficial to the poor. Bhagwati (2004) broadly defended globalisation as, on balance, a force for poverty reduction. Critics such as Stiglitz (2002) argued that the manner in which liberalisation was carried out, often swiftly and under pressure from international institutions, caused serious damage, particularly when financial markets were opened before domestic institutions were ready. I would note

that there has been methodological dispute about how to measure growth effects, so the Dollar and Kraay results are best seen as one prominent contribution to an ongoing debate, not as the final word.

The so-called "elephant curve" on inequality described by Milanovic (2016) shows that the largest relative income gains in the world between roughly the late 1980s and 2008 were made by people in the emerging middle classes of Asia and the very top of the global distribution, while income growth was weaker for the lower-middle part of the income distribution in rich countries. There has been debate about the details of the graph, but as a stylised picture it has been influential in explaining why globalisation became politically fraught in advanced economies even as global poverty fell.

Domestic distributional politics

A well-known empirical study by Autor et al. (2013) found that U.S. regions more exposed to import competition from China saw larger declines in manufacturing employment and poorer local labour market outcomes. The authors attributed a large share of the aggregate decline in manufacturing employment over the period they studied to this competition. That is a strong but narrow finding, limited to one country, one period and one trade partner. What it does show is that even when aggregate gains from trade are positive, adjustment costs can be concentrated, and that public policy (retraining, regional support, income insurance) has an important role in determining who bears them.

This is about the politics of reaction. Colantone and Stanig (2018) find that UK areas more exposed to competition from Chinese imports were more likely to vote to leave the European Union in the 2016 referendum. More generally, Rodrik (2018) argued that populism is partly a response to economic globalisation, although he also stressed that the relative importance of economic and cultural factors is debated. Inglehart and Norris (2016) highlighted cultural backlash as a source of populist support. This alternative explanation is one of the reasons I am cautious about attributing recent political change to trade alone. Economic dislocation and cultural anxieties are both likely to play a role, and their relative importance probably varies by country.

Tax and Regulatory Rivalry

Taxation is one of the most hotly debated areas of policy. Governments may compete by lowering tax rates if capital is mobile. Genschel and Schwarz (2011) reviewed the literature on tax competition and noted that although there has been considerable pressure on some tax instruments, the evidence on total revenue and on the actual scale of a "race to the bottom" is more mixed than the simple theory suggests. Basinger and Hallerberg (2004) argue that domestic political factors, such as the number of veto players, affect how governments respond to capital competition. They saw the pressure filtered through domestic politics.

Regulation is a mixed story too. One would expect the "race to the bottom" story to result in weaker environmental and labour standards as governments compete for investment. But in some sectors Vogel (1995) has observed the opposite tendency, sometimes referred to as "trading up" or the "California effect", where firms exporting to markets with higher standards push for higher standards at home and jurisdictions with higher standards can pull others upwards. The relative strength of either dynamic appears to be a function of the policy area, the size of the market, and the extent to which producers depend on access to the most restrictive markets.

Social Globalisation

Social globalisation refers to the movement of ideas, norms, information and people across borders, and the growth of transnational civil society. It's harder to measure than trade, and its links to public policy are more indirect, but I think it's essential to understanding why domestic policy debates increasingly look like one another.

Keck and Sikkink (1998) demonstrated how transnational advocacy networks of NGOs, activists and sympathetic officials can apply pressure from both above and below to governments, especially on human rights and environmental issues, by using international attention to alter domestic agendas. This is a case where the policy space for otherwise weak domestic groups can be expanded by social globalisation. External allies provide leverage to domestic groups.

World-society theory (Meyer et al., 1997) suggests that global cultural models of education, human rights, the environment, and the rational organization of the state have been widely adopted, leading to countries adopting similar formal structures, even if they are not well suited to local conditions. This is a useful reminder that convergence may be symbolic or 'loosely coupled'. A government may establish a human rights commission or national education strategy that resembles those elsewhere without much change in practice. This gap between formal adoption and actual implementation is a familiar problem in the comparative literature and reappears in the convergence discussion.

Social globalisation could also produce resistance. Norris and Inglehart (2019) argue that cultural change, some of which is associated with increased openness and diversity, has provoked a backlash among some groups that now influences electoral politics in many countries. So the social dimension is not just a benign diffusion of shared values. It is a source of both co-operation and conflict and public policy has to manage both.

Technology

Technology is a driver of globalisation as well as a policy challenge in its own right. Castells (1996) argued that information technology has enabled a "network society" in which economic and social organization is increasingly carried out through global networks, and that this alters the relationship between space, time and power. The Baldwin (2016) quote above linked recent globalisation to falling costs of moving ideas and coordinating production at a distance.

There are at least three implications for public policy. First, technology affects the ability to regulate. Data and digital services and platforms can cross national borders faster than national regulators can respond, and jurisdictional claims can collide. Second, technology provides new regulatory tools and new regulatory power. One prominent example of a domestic (regional) rule with effects well outside its borders is the European Union's General Data Protection Regulation (European Parliament & Council of the European Union, 2016), which compelled companies serving European users to change their practices. Bradford (2020) took this as part of the broader Brussels effect, but the extent to which this constitutes global convergence in data protection, as opposed to firms merely complying with EU requirements where necessary, is a matter that I think requires ongoing empirical scrutiny. Third, technology determines the distribution of gains and losses. Automation and digitalisation may impact labour markets as much as, if not more than, trade. I have refrained from making specific numerical claims here, because it is hard to disentangle the effects of technology and trade in the literature, and this is a case where I would signal the claim as needing more careful verification against specialised labour economics work.

There is also a governance void. Network problems often need networked answers and technology governance is a good illustration, with a mixture of national law, regional rules, industry norms, and informal cooperation (Slaughter, 2004). The result is a patchwork of sometimes inconsistent rules across jurisdictions, which has implications for the effectiveness of domestic policy and compliance costs for firms.

Migrate

Migration is arguably the field where states most assert sovereignty and where the tension between economic openness and political control is most apparent. In 2020, the United Nations

Department of Economic and Social Affairs (UN DESA, 2020) estimated that there were around 281 million international migrants, approximately 3.6 percent of the world population. That share is small, relative to the whole, but the absolute number is large, and its visibility in politics is much greater than the percentage suggests.

Contemporary migration is driven by economic, political and social factors, and is shaped by state policy as well as by market forces (Castles et al. 2014). In the comparative literature, a common theme is what has been called the "gap" between the restrictive goals of immigration policy and its actual results. Joppke (1998) contends that liberal states are often compelled to accept unwanted immigration due to domestic legal and rights-based constraints. Thus, the state is constrained not only by external forces but by its own constitutional commitments. Freeman (1995) has argued that in liberal democracies the politics of immigration is marked by concentrated benefits to organised groups and diffuse costs, which can lead to expansionary outcomes even in the face of sceptical public opinion. Hollifield et al. (2014) compared immigration control across a range of countries and noted variation in how states attempt to control flows.

Another example of how migration governance operates at multiple levels. The Global Compact for Safe, Orderly and Regular Migration, adopted through the United Nations General Assembly resolution 73/195 (United Nations General Assembly, 2018) in 2018, is a non-binding framework. It follows the "soft law" pattern we discussed earlier, with states agreeing on principles and cooperation but retaining formal control over admission. I would add that the compact was not universally supported, and that some states failed to ratify it, which in itself says something about the sensitivity of the matter.

The policy questions for the sending countries are different. Kapur (2010) has discussed how diasporas may influence development and politics in their home countries, through remittances, investment and political engagement, which means that emigration policy has become part of broader development strategy for some countries. At the same time, the emigration of skilled workers raises concerns about lost human capital. I know this debate about "brain drain" is quite big and disputed and I don't try to solve it here.

All in all, migration is an example of the strong multidimensional unevenness of globalisation. Capital and goods move relatively freely, as do people, but states have had a lot of say in who is allowed in. But that discretion is not boundless, because it is limited by international politics, by the needs of the labour market, and by human rights law.

Responses in Public Policy

What have governments actually done under these pressures? The literature mentions four broad families of response, but I am simplifying, and real cases mix them.

Social protection and compensation

The first response is compensation (Ruggie, 1982; Rodrik, 1998) in the logic of embedded liberalism. Governments can protect citizens against external shocks through social insurance, active labour market policy and redistribution. According to Hays (2009) and Garrett (1998), this is more likely to happen in countries with strong labour organisations and left-of-center governments. Swank (2002) found that inclusive institutions helped to protect welfare programs. The concern is that compensation may be under strain when adjustment costs are geographically concentrated as documented by Autor et al. (2013), or when fiscal space is limited. The Organization for Economic Co-operation and Development (OECD, 2011) noted rising income inequality in most of its member countries in the decades leading up to the report and explored policy responses, noting that the compensation system has not fully counteracted distributional pressures, although the sources of rising inequality are many and cannot be blamed solely on globalisation.

Competitiveness and Supply-Side Reforms

The second response is what Cerny (1997) referred to as the competition state. Governments regard skills, infrastructure, regulatory quality and tax competitiveness as key to attracting and retaining investment. This can be compatible with social goals when it means investment in education and infrastructure, but it can also mean reducing protections. The institutionalised form of the competitiveness response can be seen in the global diffusion of "regulatory capitalism" in which independent regulatory agencies spread across countries and sectors, as described by Levi-Faur (2005).

Extraterritorial Reach and Regulatory Cooperation

The third response is to work across borders. States coordinate through standards, treaties and networks (Slaughter, 2004; Abbott & Snidal, 2000) or leverage market size to export domestic rules (Bradford, 2020). Drezner (2007) noted that the setting of global regulatory standards is still dominated by the major powers, especially the United States and the European Union, indicating that "global governance" often mirrors the preferences of the largest economies. Thus, cooperation is a mixed blessing from the viewpoint of smaller states. It provides collective solutions to cross-border problems, but the rules may be made elsewhere.

Protective & Defensive Reactions

The fourth response is protectionism. Trade barriers, investment screening, migration restrictions and, more recently, industrial policy focused on strategic sectors. The political backlash, as Rodrik (2018) and Colantone and Stanig (2018) have shown, indicates that the demand for such policies is not going away. I would note that this is an area where developments after the publication of my main sources may be relevant, and readers should consult current government and institutional publications for the latest measures. These responses generally point to the political reversibility of globalisation at the margin. This is what we would expect from the distinction between globalism and globalisation as made by Keohane and Nye (2000).

Developing nations

The position of developing countries merits a separate treatment, as their room for manoeuvre is defined by different constraints. I want to be careful, because I don't want to treat "developing countries" as a monolithic category, since the group ranges from small aid-dependent economies to large emerging powers.

Shrinking policy space and conditionality

Historically, many developing countries have introduced market-oriented reforms as part of IMF and World Bank programs during debt crises (Woods, 2006). Babb (2013) describes how the Washington Consensus structured policy in these years. Wade (2003) argued that WTO rules on subsidies, investment measures and intellectual property have reduced the "development space" that governments once used for industrial policy. As Chang (2002) also pointed out in historical terms, the rich countries of today utilised tariffs, subsidies and other interventionist tools during their own development, while the current rules do not allow poorer countries to utilise the same tools. The "kicking away the ladder" thesis is disputed. Supporters of the present system say open trade and investment rules give developing countries access to markets and technology, and that many of the old industrial policy tools worked poorly in practice.

The East Asian experience

This dispute is often cited by the East Asian cases. Amsden (1989) and Wade (1990) argued that South Korea and Taiwan combined integration into world markets with active state intervention, including selective protection, credit allocation and export discipline. This has been interpreted as

implying that policy uniformity is not a prerequisite for participation in the global economy. But whether such strategies could be repeated today under current trade rules, and in different political and economic circumstances, is unclear and I think scholars who cite these cases as templates sometimes understate how context specific they were.

Work and Welfare in the Global South

Evidence on social policy is mixed. In Latin America, Kaufman and Segura-Ubiergo (2001) found that trade openness was associated with reduced social spending in some areas, reinforcing the fear that competitive pressures limit social protection. Rudra (2008) looked more broadly at developing countries and argued that the effects of globalisation on welfare depend on the type of labour force and the political power of different groups. In her view, the most pressure on welfare provisions is found in countries where labour is plentiful and weakly organised. This is different from the compensation story in the advanced economies. It implies that the 'embedded liberalism' bargain is harder to reproduce in contexts of weaker institutions and fiscal capacity.

Variety of Results

Not all developing countries have done equally well. Dollar and Kraay (2004) found that deeper integration was associated with faster growth in some economies, while Stiglitz (2002) documented examples in which rapid liberalisation had led to instability. My reading of the more careful literature is that it does not support either a uniformly positive or uniformly negative picture. It suggests that outcomes are dependent on the sequencing, the institutional quality, the type of integration (trade, portfolio capital or foreign direct investment) and the international environment at the time.

Convergence and Divergence in Policy

The most basic empirical question in this area is whether globalisation increases the similarity of policies across countries. Here the literature needs some conceptual grooming. Bennett (1991) identified a number of possible meanings of convergence, including similarity of policy goals, content, instruments, outcomes and styles. Knill (2005) further emphasised that convergence should be carefully defined as countries might converge on some dimensions (e.g., policy goals) but not on others (e.g., policy instruments or policy outcomes). Absent this distinction, arguments about convergence often talk past each other.

Proof of Convergence

There is some evidence of convergence in some areas. Simmons and Elkins (2004) found that countries' decisions to liberalise were influenced by choices of both their competitors and countries that they perceived as similar. Dobbin et al. (2007) reviewed evidence for policy diffusion through several mechanisms. Levi-Faur (2005) documents the diffusion of regulatory agencies. Convergence in formal institutional structures is argued for from a world-society perspective by Meyer et al. (1997). In some technical areas, such as product standards and financial regulation, there has been a great deal of international harmonisation, especially where large markets set the rules (Bradford, 2020; Drezner, 2007).

Divergence and Continuing Diversity Evidence

At the same time, there is strong evidence that national differences continue to exist. Hall and Soskice (2001) argue that national systems are on different trajectories because of institutional complementarities. But, as Garrett (1998) and Swank (2002) have shown, domestic politics and institutions are still determinants of welfare and fiscal results. Drezner (2001) reviewed the evidence and argued that the convergence effects of globalisation are bounded and conditional. Basinger and Hallerberg (2004) have shown that domestic institutions dampen tax competition. The classic account

of separate welfare regimes was given by Esping-Andersen (1990) who wrote before most of the globalisation debate took off. Much later work has been about whether those regimes have converged or continued to differ. I assume the regimes have changed but not dissolved into one model, although I recognise this is a sweeping judgement on a large literature.

Bringing the Two Together

I think the reconciliation hinges on three distinctions. First, there's a difference between policy talk and policy practice. The reforms that countries adopt may be called the same thing (an independent regulator, a competition law, a data protection statute) but are different. Secondly, convergence appears to be more resilient in technical or regulatory areas and where market pressure is direct, and less so in redistributive areas linked to national political bargains. Third, convergence might be strongest for countries that are similar in size, income and position in the global economy and weakest for groups with different starting points. The Bradford (2020) argument about regulatory export reminds us that convergence is often asymmetric, with some jurisdictions setting the standard and others adapting. This sounds more like a hierarchy of rule-makers and rule-takers, and less like a mutual convergence.

Critical Perspectives on Globalisation

So far I have tried to present the material without worrying whether globalisation is all good or all bad. It is worth more explicitly spelling out the critical perspectives and also the responses to them.

Critics of Political Economy

One line of critique, however, takes on inequality and power. Stiglitz (2002) criticised the way international institutions pushed liberalisation, suggesting that the policies were more about the interests of financial actors and rich countries than the needs of borrowers. Harvey (2005) provided a critical history of neoliberalism as a project to restore class power but this is a wider and more contested interpretation not accepted by all scholars. Dependency and world-system approaches (Cardoso & Faletto, 1979; Wallerstein, 1974) previously argued that the global economy is arranged in such a way that peripheral economies remain in subordinate positions. Those arguments have been heavily debated and revised, but remain part of the background to contemporary critiques.

Accountability to the People

A second criticism has to do with democracy. Rodrik's (2011) trilemma describes the fear that deep integration can only be maintained if democratic politics is limited. This is reinforced by the concern about soft law and technical standards, noted above: decisions taken in networks of regulators and experts are often not visible to ordinary citizens (Slaughter, 2004; Abbott & Snidal, 2000). International institutions also have unequal voting and influence structures (Woods, 2006) and so their legitimacy is challenged.

The subtleties of defence

Trade and openness have also been the basis for large reductions in poverty in many countries (Bhagwati, 2004; Dollar & Kraay, 2004), and many of the problems said to be caused by globalisation are in fact due to domestic policy choices, including lack of adjustment support. Under certain circumstances, globalisation can even result in higher regulatory standards (Vogel 1995). There is also a compensation-literature-based argument that the appropriate response to the costs of globalisation is better domestic redistribution not less openness (Ruggie, 1982; Hays, 2009). The problem is that, as Autor et al. (2013) showed for a single case, in practice compensation often does not reach those who need it.

So I have to be honest about what limits can be placed on what can be concluded. The empirical evidence is largely country-, period- and measure-specific and there is disagreement in the literature

on methods. It would be disingenuous to pretend that there is a consensus that globalisation is clearly good or clearly bad. What can be said is that the distribution of gains and losses, within and across countries, is central, and that this distribution is in part a product of policy choices.

Conclusion

So my puzzle was this: how can both the "retreat of the state" literature and the "resilient state" literature be supported by evidence? Having looked at the sources, my answer is that they are speaking about different parts of the same picture. Globalisation has forced governments to change the terms on which they make policy. It raised the price of some options, opened others, and created new arenas, from trade rules to regulatory networks, where policy is made, in part, outside national parliaments. But that has not eliminated national choice. External pressures are mediated through domestic institutions, partisan politics, state capacity, and a country's position in the world economy (Garrett, 1998; Hall & Soskice, 2001; Swank, 2002).

Three observations are of note. First, the effects vary by policy area: they are largest in tax competition and financial regulation, and smallest in core social and redistributive choices, with migration as a special case where states have formal control but are subject to legal and economic constraints. Second, developing countries are in a different position because they have usually been subject to tighter constraints from external finance and from trade rules, and have less fiscal capacity to compensate losers (Rudra, 2008; Wade, 2003; Woods, 2006). Third, the political backlash in many countries implies that the distributional effects of globalisation are not just an economic issue but also a threat to the legitimacy of the arrangements that sustain globalisation (Colantone & Stanig, 2018; Rodrik, 2018).

My analysis has its limitations. I used a set of widely cited works, which means I may have under-represented recent empirical work and perspectives from the Global South and this is a real gap. I flagged that some claims, especially on technology and labour markets, need more specialised verification in the text. Future work could explore in detail how recent shifts, such as supply chain reorganisation, the revival of industrial policy, and digital regulation, are reshaping the balance between openness and domestic autonomy, drawing on updated official and institutional data.

In the end, I think the most defensible position is that globalisation has not rendered governments powerless, but it has not left them unaffected. It has changed the game, and governments still play the game differently.

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