



The winner's curse

COMMENTARY | BY GEORGE PAGOULATOS *

A key irony of our times is this: The United States and Britain have been accused in previous decades of constructing an international order to suit their interests. The postwar Western and global system was governed by the international institutions and organizations they created (from Bretton Woods to NATO). The losers of World War II, Germany and Japan, were rebuilt under American tutelage. The collapse of the Communist bloc sealed the victory of liberal capitalism – some even rushed to pronounce the “end of history.” The liberalization of world trade and the money and capital markets was essentially an Anglo-American project. In addition, Europe’s key decisions (the single market, eastern enlargement, the Lisbon Agenda) were largely a product of the influence of Britain, which had opted out of every aspect of European integration it did not wish to be part of, from the euro to Schengen.

Until the 2008 crisis, experts hailed the triumph of “Anglo-American capitalism.” By the start of the 21st century, the question “How will the world communicate?” had been resolved. The English language, American values and the culture associated with the global lingua franca constitute “soft power,” a valuable weapon of global influence.

The central irony, then, is that while US and British strategic choices have prevailed historically, their current governments (reflecting domestic sociopolitics and ideology) are now revising fundamental tenets of the international system their countries had shaped with consistency and continuity to their benefit. The Euro-Atlantic alliance is being undermined by erratic tweet storms. The relevance of NATO is being questioned – from more than one side. International multilateral agreements (from those on global climate issues to the INF nuclear treaty) are being unilaterally abandoned. And Brexit Britain is leaving the world’s most developed and ex-



US President Donald Trump (r) and British Prime Minister Boris Johnson (l) on the sidelines of the United Nations General Assembly in New York in September.

clusive club, as a member of which it was able to prosper and project its influence in Europe and the world.

It is something of a historical irony that Brexit’s reclamation of national sovereignty threatens the United Kingdom with internal dissolution, while the pursuit of trade autonomy has coincided precisely with the period in which the World Trade Organization tribunal has been paralyzed by Donald Trump. The inability of the 164 members of the WTO to settle commercial disputes leaves the weak at the mercy of the powerful and disrupts the functioning of a global trading system based on multilateral institutions and rules. In the absence of trade agreements after Brexit, Britain will find itself in a weak negotiating position. Having voluntarily abandoned the world’s most powerful trading bloc, and faced with a protectionist Trump administration, the UK has not exactly been dealt the best hand.

The “winner’s curse” is an interesting concept in academic literature. Someone’s bid, plan or pro-

gram might win, but they soon discover their calculations were inaccurate, what they bought is in fact less valuable, or their plan that prevailed will ultimately cost more. At a first level of analogy, this is the irony of the political victories of Brexit and Trump, whose real policy advantages will soon prove to be elusive. At a deeper level, this is the tragic irony of the UK and the US administrations seeking to fundamentally disrupt a global and geopolitical order that had served them well so far, and would continue to do so had they not been undermined by ill-thought-out strategic decisions.

English historian Edward Gibbon wrote of the “crimes, follies and misfortunes” that make up human history. One example is the ease with which a historical failure can be repackaged as a political success. I am not only referring to the obvious – a president who has damaged his country more than any of his predecessors but who runs a non-negligible probability of emerging stronger from the impeachment

process and gaining re-election; I am also referring to the mutually damaging (for Europe and the UK) Brexit. At some point the British economy (after years of stagnant growth) will pick up again, and (in some years) will inevitably do better than the EU. Some will then rush to use this as a “proof” of how successful Brexit was. Not only will a national fiasco be rebranded a victory, but it will boost aspiring wannabes among nationalist-populist Europeans to follow suit.

First come the side effects of a status quo which (through domestic political choice) fails to compensate socioeconomic losers. Inequalities grow, real incomes stagnate. Then populist politicians attribute their own failures to the “system” and “the game being rigged.” They single out international institutions and “liberal cosmopolitan elites,” using them as convenient punching bags, and consciously undermine the authority of international rules and organizations, whose binding power inevitably declines. Having undermined the global system within which their own power rests, powerful countries are then left with only an illusion of power, for state power without an underlying collective governance system results in disorder whose costs are far greater. A Hobbesian world is a historical anachronism for developed societies facing global challenges (climate, security, financial contagion). Reason calls for mutually beneficial cooperation based on mutual compromises. The logic of zero-sum (your gain is my loss) is to end up with a negative sum: Everybody loses – though admittedly not to the same degree.

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