

---

# Is Neo-Feudalism the New Nation-State?



By John Hulsman , President and Managing Partner of John C. Hulsman Enterprises, and Boris Liedtke , INSEAD Emerging Markets Institute Distinguished Fellow

**The simultaneous rise of hyperlocal and transnational politics could fill the power vacuum left by the decline of the nation-state.**

Everywhere you look, the nation-state seems to be stumbling badly. In developing countries such as Somalia, Iraq, Syria and the Democratic Republic of the Congo, internal order has broken down, as governments have lost touch with political realities on the ground. Even in the supposedly well-governed developed world, the nation-state seems to be showing its age, as evidenced by a string of financial crises stretching from Wall Street to the eurozone, as well as by the calamity of the United States' adventurism in Iraq.

Simultaneously, humanity is facing increasingly global challenges for which the concept of the nation-state is ill-equipped to provide solutions even via existing multinational institutions. These challenges are as broad as religious confrontation, global terrorism, nuclear proliferation, global warming, international immigration, pandemics and economic inequality in the West caused by an increasingly global labour market.

Cue the ongoing international populist explosion – driven by economic slowdown and certainly fuelled by a sensationalist press – in which voters are rejecting traditional political leaders in favour of outsiders who delight in disrespecting and discrediting established institutions of the nation-state. A self-feeding frenzy between the new political elites, the media and the people has been initiated and is starting to devour the structure of the very nation-state to which a free press was so essential in the past.

Contrary to the fevered imaginings of European federalists, however, the nation-state cannot simply be wished away as an annoying anachronism of a bygone age.

Rather, the dirty little secret at the heart of our new era is that all the rising powers – be they China, India, South Africa, Indonesia or Brazil – are more sovereigntist, more nationalistic and more wedded to jealously preserving their national prerogatives than is even the United States, long the bane of post-national dreamers. Instead, it is the supposedly modern, post-nationalist European experiment that seems to be in terminal decline. Both intellectual defenders of the nation-state and its critics seem to be largely wrong at present. As of now, we live in a bewildering world, where the nation-state is both not working very well and isn't about to be replaced.

### **Back to the future - The new feudalism**

Ironically, the solution for this global confusion is to go back to the future, i.e. all the way back to the feudal age that preceded the Peace of Westphalia in 1648, which scholars mark as the moment the modern nation-state was born.

The basic European feudal structure saw supranational problems dominated and managed by the Roman Catholic Church. Its other salient feature was the great relative power of local princes, who were largely left to their own devices by any nominal king above them. Think of the powerful, largely autonomous Dukes of Normandy (such as William the Conqueror) and their relationship with their only official overlords, the Kings of France, and you will get the point.

Today, what is called for is more coherent and effective supranational structures at the top, in line with the old primacy of the feudal church. For example, a more effective G20 is necessary to deal with the many transnational aspects of the global financial and economic systems. A global

but decentralised currency, regulated outside the sphere of any particular nation-state, is needed.

For all its power, the United States is no longer a sufficient force to manage and hedge against the rise of China. Instead, increasing the role and influence of the quadrilateral grouping of the U.S., Australia, Japan and India makes a great deal more sense. A Europe with a eurozone finance minister and a mutualisation of common debt (going forward, not retroactively) would tackle the ongoing challenges to the financial stability of the continent. European nation-states must agree to follow the same rather stringent fiscal policies to turn the eurozone core into a true supranational community. The nation-state has to give up sovereignty to deal with the success it has created.

As the above shopping list for increasingly effective supranational structures makes clear, we are agnostic about the best ways to achieve this. In some cases it will be inter-governmental (between nation-states); in others (like the eurozone), the supranational institution will take on a life of its own. Challenges that are truly existential – such as nuclear war, climate change, as well as certain economic and trade aspects – will require nation-states to cede sovereignty over these issues to global institutions that function above and beyond the nation-state. But in any event, the goal is to pragmatically go back to the pre-Westphalian era, where more unified and effective supranational institutions existed to manage transnational problems.

### **The return of localism**

Even in this more feudal world, the nation-state is not going anywhere. Many people still cleave to the model precisely because they feel strong allegiances to, and a sense of democratic control over, their countries. Nation-states will continue to have a dominant military role, play a major role in macro-economics and be the dominant force behind their own internal security. The upshot: Over time, the nation-state will do less, but by concentrating on these key functions, it will do them better.

At the bottom of the global governance tree, localism – as was true during the feudal era – will also come into its own again. In line with Thomas Jefferson's brilliant insight, problems should always be solved at the lowest possible level – because it is closest to the people, helping ensure the political and democratic legitimacy of policy solutions. As American Jeffersonians understood, by diffusing power you can paradoxically magnify

it and guarantee its legitimacy.

So everything from education issues to policing to infrastructure should be primarily managed at this local level. Further, as the feudal world well knew, it is here that people feel most connected to decision-makers. We may not personally know Donald Trump or Emmanuel Macron, but we do know the head of the school board and can heap all sorts of direct social pressure on him if he sends the kids to school in a blizzard. This accountability has been lost in the world of the nation-state, which is exactly what populists are rightly bemoaning. A feudal emphasis on localism can be the wellspring for a more legitimate, more broadly acceptable system of government.

*This post is excerpted from an article originally published in [The World Financial Review](#).*

*[John C. Hulsman](#) is President and Managing Partner of John C. Hulsman Enterprises, a global political-risk consulting firm. He is the author of [To Dare More Boldly: The Audacious Story of Political Risk](#).*

*[Boris N. Liedtke](#) is a Distinguished Executive Fellow in the [INSEAD Emerging Markets Institute](#).*

*Follow INSEAD Knowledge on [Twitter](#) and [Facebook](#).*

#### **Find article at**

<https://knowledge.insead.edu/strategy/neo-feudalism-new-nation-state>

---

#### **About the author(s)**

**John Hulsman** John Hulsman is President and Managing Partner of John C. Hulsman Enterprises.

**Boris Liedtke** is a Distinguished Executive Fellow in the INSEAD Emerging Markets Institute.