Donald Trump Is Declaring Bankruptcy on the Post-War World Order

The global system of peace and prosperity was already on life support before the U.S. president-elect decided to pull the plug.

BY JEREMY ADELMAN | NOVEMBER 20, 2016

In 1929, the embittered English writer Robert Graves published a farewell memoir to his country called *Good-Bye to All That*. A veteran of the Great War, scarred and traumatized at the Battle of the Somme, Graves offered his epitaph to a world brought down by the myopia of a waning ruling class. Unable to see forward, British rulers yearned to restore a bygone age, to make Britain great again, only to destroy the flower of their youth. No sooner did *Good-Bye* hit the bookstands than governments responded to a financial crisis by throwing up trade barriers, turning currencies into weapons, plunging the world into depression, and then deporting, or later exterminating, foreigners as well as their own citizens.

With the election of Donald Trump to the presidency, the United States seems about to swerve in a similar direction, to go from leading the world as a stabilizer to leading the world as a destabilizer. What's propelling this about-face is nostalgia for an earlier age of supremacy. In truth, that supremacy has long since passed.

America's continued claim on global leadership is mostly an inheritance from the aftermath of World War II, when American leaders laid the multilateral foundations of what we now call globalization. Diplomats, economists, and philosophers charted a grand bargain for the world, a kind of global new deal. It rested on two pillars.

The first concerned cooperation in the world economy. To prevent a backslide into the protectionist, inward-looking policies that crushed the global economy in the 1930s and led to war in Europe and Asia, global rebuilders hitched national economies to norms, rules, and principles of free trade. The result was a boom. From 1950 to 1973, world per capita incomes grew by 3 percent per year — powered by a trade explosion of 8 percent per year. Cooperation triumphed; interdependence brought prosperity.

The second pillar concerned national policies. To cope with the dislocations of free trade and interdependence, governments created safety nets and programs at home to manage the risks and to shelter the castaways. From welfare to workplace protections, from capital controls to expanded education, national policies buffered market perils and helped families adapt to commercial and technological changes. What's more, many of these programs extended to the dislocated who left home altogether, like those who departed Puerto Rico for the United States, Italy for Canada, Algeria for France, Cambodia for Australia. Education, workplace protections, and pathways to citizenship were part of a bundle of rights conferred on immigrants.

This was the global new deal that buoyed the postwar liberal order: a coherent, complementary set of policies that opened borders while protecting societies from the hazards of integration across those borders.

It was unsustainable. Both pillars eventually collapsed like Greek columns. Over seven decades, their foundations shifted beneath them. We are now witnessing, in Trumpism, its death throes. And there is no way to re-create the conditions that led to the original global new deal, and the years of relative stability and tolerance that came with it; we may never see its like again.

At the dawn of the Washington-led rebuild in 1945, the U.S. economy was larger than all of Europe, Japan, and the USSR combined — the result of a global war that leveled the productive capacity of almost every other major power. The effects of the war yielded a global Leviathan unlike any we'd seen before — but one that did not impose itself, like Rome, on its neighbors. It did not have to. Indeed, what was remarkable about the long reconstruction process was how much elites and workers across Europe and Asia agreed on the fundaments of postwar integration. For them, after all, the global new deal offered them resources — Marshall Plan aid, U.S. foreign direct investment — and markets upon which to reassemble flattened economies and societies. For the United States, markets for manufactured goods and investment, shut down by the inward turn of the Great Depression, got thrown back open. According to recent estimates by one team of economic historians, the postwar export surge generated between 1.3 million and 1.97 million American jobs.

This new deal didn't depend on a hegemon to force others to get on board. It did, however, depend on one to coordinate the elaborate set of systems involved in managing currencies, to facilitate the negotiations involved in dismantling trade barriers and agreeing on standards — in other words, it required a leader to ensure all the pieces were in place for the new system to function as a whole. That liberal Leviathan, it was always clear, would be the United States. It is easy to lead when you are that dominant.

In short order, however, the success of this model began to eat away at that dominance — and thus, U.S. ability to coordinate and lead. Postwar global integration was so successful that soon Japan, Germany, and eventually China, South Korea, and Brazil were scrambling for market share. By the 1960s, Ford had to compete on its home turf with Toyota. Global trade would continue to boom in the decades to come; from 1980 to 2011, world trade grew by an astonishing 8.2 percent per year — twice as fast as world output. China leaped from a meager 0.89 percent of world export shares in 1980 to 10 percent in 2011, muscling past the United States. As a share of world exports, the United States slipped from approximately 12 percent to 8 percent over the past quarter century. In that period, the United States held its own as the world's safety net for imports — consuming 12.3 percent of the world's imports (China trails with 9.5 percent) and creating a trade imbalance of unprecedented proportions. China currently commands the same share of world exports that the United States enjoyed in 1968 — almost 14 percent.

The slipping dominance of the United States nearly caused this system to fall apart much earlier. In the 1970s and 1980s, the first great malaise set in in the West, and the signs of a spreading precariat were everywhere. Factories closed; New York went bankrupt; in the winter of 1978-79, the lights went out in Britain and people shivered in the dark; Ford's global market share began to nosedive. The global Club of Rome think tank in 1972 predicted the end of growth and the beginnings of a dark age of scarcity. Even Hollywood got into the gloom business, with Sally Field playing *Norma Rae* in a dying mill town in North Carolina and Jennifer Beals playing a hard-luck steelworker whose way out of the Rust Belt was exotic dancing.

Then, the global system got two, improbable lifelines.

One came in the form of credit. Moneylending took off as banks got deregulated. After 1973, the global financial industry soared; within a decade, financial markets had grown 400 percent. The value of daily trading on the New York Stock Exchange grew from $10 million in 1970 to over $1 billion by 2005. Now, it was not just commodities that sutured the world into one market, but capital. An alarming amount of financial interdependence, however, took the form of debt — both household and governmental. Total credit market debt (public and private) in the United States doubled from 1970 to 1998. Then it soared and never looked back. According to McKinsey, the global stock of debt to gross domestic product rose even more after the crisis of 2008. Last year, it ballooned to $152 trillion — over 225 percent of world output. Half the debt load rests on government shoulders. Private and public debt kept spending afloat even though tax bases and personal incomes for the bottom half sagged.

The second was cheap fossil fuels. The discovery of new crude oil reserves and rising use of natural gas licked the second oil crisis of the late 1970s, and, except for a brief spike during the presidency of George W. Bush, energy prices continued their long-term decline. Despite warnings that we would bake the planet, ever more coal, gas, and oil was combusted to move the world's vehicles, spread its factories, and cool its homes — except liberalized trade, and Asia's growing middle classes, meant the world included more of each. Liberalizing world trade and industrializing Asia released 4 billion metric tons of carbon into the atmosphere in 1970; the figure is now 10 billion. Fully half the fossil fuel-induced CO_2 emissions worldwide since 1750 have taken place since 1985.

I said these were improbable lifelines because those of us who watched the figures in the 1970s and 1980s tended to see the "energy crisis" and the "debt crisis" as chokeholds on global prosperity. It turns out that they were the opposite.

At the same time, rising global competition ravaged national welfare states. Governments facing cheap imports still abided by treaties that barred them from turning to protectionist measures; instead, with the victories of Margaret Thatcher in Britain and Ronald Reagan in the United States, a drive to free up markets, dismantle labor protections, and slash taxes aimed to help industries best their rivals by slashing their costs. Despite economic growth, America's working class braced for a 35-year stagnation in real hourly wages.

What had once been a comprehensive, integrated system of policies that allowed free trade and social safety nets to work in tandem became, in the absence of strong global leadership, a race to the bottom, sustained by carbon and credit. Domestic safety nets got torn up in a fever to make economies more nimble. Deregulators, privatizers, and a free market orthodoxy took hold, shredding the pacts that once eased the effects of globalization. Trade unions, once key to manufacturing the consent behind the global new deal, got crushed. As supply chains outsourced automobile parts production to Indonesia and T-shirt-making to Bangladesh, dependence across societies produced greater inequality within them. And yet the system bumped along: Public services and protections softened market risks before 1973; in the decades afterward they were replaced by the private comforts of combustion and monthly credit card bills.

If access to carbon and credit appeared to solve the problem for a time, there was an additional, sustaining shock. In 1989, American leadership got a new lease on life — at least for a while. The fall of the Berlin Wall, the breakup of the USSR, and some gloating about the end of history created some sense of renewed American grandeur and the triumph of free markets. This euphoria, however, masked underlying structural shifts that eroded U.S. dominance still further; while the Soviet bloc collapsed, behind the scenes, there was a dramatic retooling of the Asian economies. Germany also upgraded its automobile, aircraft, and pharmaceutical prowess.

The reckoning could not be put off forever. The dual addictions to carbon and credit are now under assault. The bill for relying on fossil fuels is turning up in the form of climate change, while swaths of the unprotected precariat work part-time jobs in Walmart and Home Depot to cover the monthly interest on their Visa cards.

And now: Not since 1930 has the global trading order been more threatened. No one is coming to the rescue. David Cameron botched the Brexit campaign. Hillary Clinton stumbled through questions about the misunderstood Trans-Pacific Partnership and cringed whenever NAFTA came up. In the vacuum, wall-builders promise to revive a zombie version of American grandeur with more carbon, more credit, and a mercantilist crusade.

Global integration relied on the United States playing a vital stabilizing role in an otherwise turbulent world. After a long life, the seven decade-long American-led order is now exhausted. It was running out of steam anyway. But what comes next is not a simple process of slow sputtering out. In order to make America great again, a coalition of wall-builders and treaty-shredders will aim to upend the grand strategy that informed generations of thinking and policymaking since 1945. What the new regime in Washington promises to do now is to become the single-most important source of global *instability*.

Meanwhile, the emergent world order will be one deprived of a dominant actor. The world has yet to master the idea of leadership without dominance. And the unique moment in global history that produced the liberal Leviathan and allowed it to cobble together wholesale a system that gave the world relative peace and prosperity for decades is giving way to a more uncertain, fragile successor. The long cycle of integration and relative tolerance forged by U.S. leadership since World War II is now headed in reverse.

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