Towards a New Enlightenment?
A Transcendent Decade

The Past Decade and the Future of
the Global Economy

Barry Eichengreen
The global financial crisis of 2008 was widely seen as heralding the death of globalization. But, to paraphrase a remark widely attributed to the American novelist Mark Twain, “reports of its demise were greatly exaggerated.” Now, however, over a decade after the crisis, globalization hangs in the balance, as President Trump threatens tariffs on imports from a variety of US trading partners and challenges the norms of late-twentieth-century multilateralism, and as nationalist politicians of different stripes ascend to power in a growing number of countries. This chapter asks whether these unilateralist, nationalist trends appearing to constitute a serious threat to globalization are a temporary aberration—and if so accounts for their incidence and timing—or whether they in fact herald the much-anticipated retreat from globalization.
The years from 2008 to 2018 were an eventful period for the global economy, but no one would call them transcendent. The advanced economies suffered their most serious economic and financial crisis since the Great Depression, while events in Greece and elsewhere in Europe threatened the very survival of the Euro Area. A disappointing recovery gave rise to concerns about secular stagnation, the idea that deficient demand combined with stagnant productivity growth doomed the advanced countries to chronic slow growth.1 In contrast, emerging markets, led by but not limited to China, escaped the crisis largely unscathed. They continued to expand throughout the crisis and for much of the subsequent decade.

As a result, the global economy grew at a more than respectable average annual rate of 3.4 percent over the years from 2008 to 2018.2 Global trade continued to rise: after a dip in 2009, exports and imports recovered and mostly held steady as a share of global GDP. The institutional framework governing the operation of the global economy—a World Trade Organization to mediate trade disputes, an International Monetary Fund to monitor imbalances, and a World Bank to provide development assistance to poor countries—remained firmly in place. That globalization and growth could survive the turbulence buffeting the world starting in 2008 seemingly testified to the solid foundations on which the twenty-first-century global economy rested.

It all came apart in the final years of the period. In its June 2016 referendum, the United Kingdom voted to leave the European Union. In 2017 one of the first acts of the newly elected US president, Donald Trump, was to withdraw from the Trans-Pacific Partnership. The Trump administration declined to confirm the appointment of new members to the WTO’s dispute settlement panel and in 2018 slapped tariffs on imports from China, Europe, and even Canada, provoking tit-for-tat retaliation. Cross-border investment flows were discouraged by high-profile government interventions, such as Beijing’s refusal to approve Qualcomm’s acquisition of Chinese semiconductor producer NXP, and Berlin thwarting China’s acquisition of the German electricity transmission firm 50Hertz. The Chinese economy showed signs of slowing, and emerging markets from Argentina to Turkey experienced strains as the US Federal Reserve hiked interest rates. The stability of the global economy, it appeared, hung in the balance.

This sequence of events raises two questions, one about the past and one about the future. First, why was the reaction against the earlier globalization trend delayed by roughly a decade? In 2008–09 the advanced economies suffered the most serious downturn in eighty years, as noted. Export-dependent emerging markets experienced serious dislocations when advanced-country central banks responded with quantitative easing, pushing down their exchange rates in what were critically referred to as "currency wars."3 Yet there was no wholesale repudiation of the international system that bequeathed these disconcerting results. Instead, G20 countries reaffirmed their commitment to free and open trade and avoided beggar-thy-neighbor policies. Central banks provided one another with exceptional swap lines and credits. Governments sought to coordinate their fiscal-policy responses to the downturn. They expanded the resources of the International Monetary Fund to better equip it to meet the challenge of the crisis. Only after a delay of eight or so years, starting roughly in 2016, did the anti-globalization reaction set in with the Brexit referendum, the election of Donald Trump, and the rise of nationalist, anti-EU politicians and parties in a variety of European countries. What, in other words, explains this peculiar timing?

Second, what does this sequence of events imply for the future of the global economy? Is the negative reaction starting in 2016 an aberration? Is the election of an economic nationalist as US president the result of idiosyncratic factors—the political liabilities of his Democratic opponent Hillary Clinton and the untimely intervention of FBI director James Comey—and
a reflection of popular dissatisfaction with the public-policy response to the crisis, dissatisfac-
tion that will dissolve now that growth has accelerated, unemployment has fallen, and 
wages have begun to rise? Similarly, is the populist turn in Europe simply the result of a one-
of-a-kind Greek crisis and a temporary surge of refugees that has now receded? Or does the 
rise of economic nationalism in the West herald a fundamental rejection of the foundations 
of the global economy? And if so, what new system will take their place?

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Formulating answers to these questions requires stepping back and contemplating the origins 
of the 2008–09 crisis that constitutes the backdrop to subsequent events. Like any complex 
episode, the crisis had more than one cause and, correspondingly, admits of more than one 
interpretation. My preferred interpretation runs as follows. 4 The crisis was a product, first 
and foremost, of inadequate financial supervision and regulation. In the US, the deregulatory 
movement had been underway for some years, fueled by free-market ideology and the politi-
cal influence of large financial institutions; there had been no major banking and financial 
crisis in the US in the second half of the twentieth century to slow deregulation. 5 The final 
elimination of the Glass-Steagall Act separating investment and commercial banking in 1999 
was only the symbolic capstone of these ongoing trends. 6 The inadequacies of light-touch 
regulation were further accentuated by the fragmentation of bank supervision across as 
many as six US government agencies and the absence of any agency whatsoever to oversee 
the operation of the so-called shadow banking system.

In Europe, completion of the Single Market and then the advent of the euro increased 
competitive pressure on the banks and encouraged regulators to lighten regulatory burdens 
in order to give national champions a leg up. European banks resorted to wholesale funding, 
 lent aggressively to property developers, and loaded up on US subprime securities in the 
scramble to increase or at least maintain market share. Like in the US, the fact that Europe 
lacked a single bank supervisor—instead, it had a score of separate national supervisors who 
oversaw and, in practice, championed their respective national banks—meant that no one 
fully took into account the cross-border repercussions of their supervisory decisions. 7

Second, the apparent stability of the macroeconomic environment encouraged risk-taking. 
Starting in the late 1980s, business-cycle volatility appeared to decline in the US and more 
widely. Whether the change reflected good luck—an absence of oil and commodity market 
shocks—or good policy—the shift to inflation targeting by a growing list of central banks—is 
disputed. But whatever its source, this so-called Great Moderation encouraged risk-taking 
by investors and by banks in particular. 8 It encouraged them to believe that business-cycle 
downturns were now milder, meaning that defaults would be fewer and making it possible 
to safely employ additional leverage and maintain slimmer capital and liquidity buffers. In 
this way the earlier period of stability set the stage for instability.
A man walking past graffiti in central Athens on February 4, 2015, following elections won by the Radical Left Coalition (Syriza) led by Alexis Tsipras.
Third, loose monetary policy added fuel to the fire. Low interest rates encouraged investors to stretch for yield, governments to borrow, and households to load up on debt in what proved to be imprudent ways. The Federal Reserve, anticipating a serious recession, cut interest rates sharply following the September 11, 2001, attacks on the Twin Towers. When a recession of the anticipated severity failed to materialize, the central bank took time to normalize monetary policy. As a result, interest rates remained below the policy benchmark provided by the Taylor Rule. The European Central Bank (ECB) appropriately set interest rates with the whole of the Euro Area in mind, but the resulting policies were uncomfortably loose for booming southern European economies on the receiving end of a tsunami of capital inflows. The result was a securitization boom in the United States, housing bubbles in Ireland and Spain, and a government borrowing binge in Greece, which all came to grief when the US economy turned down.

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Last in relative importance, but by no means insignificant, were global imbalances. Those imbalances, as measured by the absolute value of the current account balances of both surplus and deficit countries, reached their apex in 2006. The United States accounted for roughly two thirds of that year’s cumulative deficit, while global surpluses were divided, roughly into thirds, between China and emerging Asia, the oil exporting countries, and Germany and Japan. By so willingly financing the US deficit, these surplus countries ensured that US interest rates would remain at lower levels than would have been the case otherwise, again encouraging investors there to stretch for yield and accept additional risk.

The stage was thereby set for the crisis. When first the US housing market and then the US economy turned down, bank and shadow bank balance sheets were impaired. And not just in the United States, since European banks had lent heavily to the property market while loading up on US subprime securities. Distress among subprime-linked hedge funds and investment banks, capped by the failure of Lehman Brothers in September 2008, led to panic and the seizing up of financial markets on both sides of the Atlantic. By the end of 2008 it was clear that a very serious recession was underway.

There are many valid grounds on which to criticize the subsequent policy response. After rescuing the investment bank Bear Stearns, the Federal Reserve aggravated the crisis by allowing Lehman Brothers to fail. The fiscal-policy measures adopted in response were underpowered. While the headline numbers were impressive, chronic high unemployment and disappointingly slow recovery betrayed their inadequacy. President Barack Obama’s economic advisors had advocated a larger fiscal package, but his political advisors counseled against. European countries were even more phobic about budget deficits; the UK famously shifted into austerity mode already in 2010. European countries were reluctant to acknowledge, much less address, pervasive weaknesses in their banking systems. When the Greek crisis
erupted, they refused to contemplate debt restructuring, fearing for the stability of French and German banks. The European Central Bank (ECB) was slow to recognize the deflationary threat; instead of cutting, it raised interest rates in 2008 and again in 2011. Financial reform was inadequate: the Dodd-Frank Consumer Wall Street Reform and Consumer Protection Act of 2010 was weak soup by the standards of the Glass-Steagall Act of 1933, and European financial reformers did even less.

Yet the steps taken were enough for global growth to resume in 2010. GDP growth in the major advanced (G7) economies shifted from -3.8 percent in 2009 to +2.8 percent the following year. In the advanced economies as a whole, it recovered from -3.4 percent to +3.1 percent. International cooperation was important for this success at staunching the bleeding. G20 governments agreed to coordinate their fiscal-stimulus measures at their February 2009 London summit. The Federal Reserve and European central banks were in continuous contact, and in 2008 the Fed extended dollar swaps not only to advanced-country central banks but also to those of four emerging markets: Mexico, Brazil, Singapore, and South Korea. The ECB for its part provided euro swaps. Governments foreswore overtly protectionist trade policies; average global tariff rates ticked up very slightly in 2009–10 but then resumed their trend decline, while the number of active trade disputes litigated at the WTO was less in every year between 2009 and 2013 than in the three years before the crisis. Resort to capital controls was limited to the most severe crisis cases: Iceland, Greece, and Cyprus.

In sum, while the international system came under strain, it survived the crisis intact. Political leaders and their economic advisors evidently believed that an international regime that had delivered prosperity and growth prior to 2008 would continue to do so once the emergency was overcome.

Why then did the outlook change so dramatically starting in 2016, with the Brexit referendum, the election of Donald Trump, and the more general political backlash against the prevailing rules-based global order? To repeat what was said earlier, it is tempting to invoke special factors. British Prime Minister David Cameron failed to deliver on his campaign promise to limit immigration, and he miscalculated in seeing a referendum on EU membership as a way of uniting the Conservative party and solidifying its grip on power. Donald Trump was helped by a weak opponent and by Russian interference in the US election.

Yet geographic and demographic variations in support for both Brexit and Trump suggest that more systematic factors were at work. So, too, does support for political leaders with autocratic, nationalistic, anti-globalization tendencies in a range of other countries.

To start, there was the fact that recovery in the advanced countries, where this political reaction was centered, was disappointingly slow. Recoveries following crises tend to be slower than recoveries following plain-vanilla recessions because the banking and financial system is impaired. There was also the failure to provide more policy support and the tendency to prematurely withdraw such support as was provided. Moreover, the majority of the income
gains that did occur in both the US and UK accrued to the wealthy—to the so-called one percent. In 2015, real median household income as measured by the US Census Bureau was still nearly two percent below its 2007 peak and nearly three percent below its level at the end of the twentieth century. The tendency for income gains to accrue disproportionately to the wealthy was less pronounced in continental Europe than in the English-speaking countries, but it was evident there as well. It is not surprising that these trends provoked a popular reaction against import competition and immigration, which were seen as benefiting capital at the expense of labor and causing wage stagnation.

But were voters right in blaming China and immigrants for these developments? Working-class wages had begun to stagnate and inequality had begun to rise already well before the 2008–09 crisis. The increase in inequality in the United States, in fact, dates back to the 1970s. This is why the median earnings of prime-age working men, adjusted for inflation, could fall by four percent between 1970 and 2010, despite the fact that the economy as a whole was continuing to expand. And what was true of the United States was true also for a range of other advanced economies. This timing clearly predates the China shock, which coincides more or less with that country’s accession to the WTO in 2001. It long predates the increase in immigration from less developed countries to Europe and the United States in the early twenty-first century.

The explanation lies in the primacy of skill-biased technical change in both working-class wage stagnation and rising inequality. The substitution of machinery for assembly line workers accelerated in the 1970s and 1980s. Maintaining this machinery required relatively high levels of literacy and numeracy; it required education and skill. This shift visibly affected the demand for more- and less-skilled workers and therefore their compensation. Whereas in 1965, American workers with college degrees earned just twenty-four percent more than high-school graduates, that gap widened to forty-seven percent in the mid-1980s and fifty-seven percent in the mid-1990s. The situation in Europe and Japan differed in extent but not in kind.

Working-class voters were displeased by the failure of their governments to do more to temper the effects. Aware of their inability to turn back the clock on technical progress, they found it easier to blame immigrants and Chinese workers for their plight. The role of the financial crisis and slow recovery that followed was to provide a focal point for their anger, directing it toward imports, immigrants, and mainstream politicians and parties. It catalyzed their unhappiness with the ruling elites and led them to seek to dismantle the prevailing international order, in the UK by voting for Brexit, in the US by voting for Trump, and in countries like Italy, Poland, and Hungary by voting for parties and leaders antagonistic to the European Union.

Thus, the populist reaction that erupted starting in 2016 was more than a delayed response to the 2008–09 financial crisis. In fact, it reflected ongoing income stagnation, rising inequality, and a heightened sense of economic insecurity with roots that can be traced back to the 1970s and 1980s. Anger against immigrants and imports may have been misdirected, but this did not prevent opportunistic politicians from capitalizing on it.

Another key development over the 2008–18 decade was the emergence of China as a leading power with geopolitical ambitions. China is already the world’s number one exporter and will soon overtake the US as the country with the largest GDP. It is building aircraft carriers and asserting itself in the South China Sea. It is using its economic leverage to forge strategic links with countries in South Asia, Central Asia, Africa, and Latin America. It is the third largest foreign investor and the number one source of foreign investment for a growing number of
In both the United Kingdom and the United States, the majority of the income gains accrued to the wealthy, the so-called one percent.

Guests at the Frederick Law Olmsted Foundation’s lunch leaving the Conservatory Garden at New York’s Central Park in May 2017. This annual event brings together the city’s wealthiest women to raise funds for park maintenance.
In the United States the median earnings of prime-age working men, adjusted for inflation, fell as much as four percent between 1970 and 2010.

General Motors assembly worker John Martinez (L.) was forced to retire in April 2009, just months before the automobile giant went broke. His hopes for his family had been pinned to what were previously generous pensions and medical coverage.
countries. It is using its Belt and Road Initiative to increase the connections and dependence on China of other countries, in the region and beyond. Not just the Belt and Road but also the Asia Infrastructure Investment Bank, the BRICS Bank, the Chiang Mai Initiative Multilateralization, the PBOC’s renminbi swaps, and the designation of official renminbi clearing banks for foreign financial centers are all indications of the intention of Chinese leaders to shape the international system to their liking.

China’s scope for asserting that influence is, if anything, enhanced by the Trump administration’s “America First” policies. By withdrawing from the Trans-Pacific Partnership, the administration squandered an opportunity to more deeply integrate East Asia into America’s economic sphere. By slapping tariffs on European steel and aluminum exports and threatening tariffs on European exports of motor vehicles, in both cases on spurious national-security grounds, it has jeopardized its ability to work with its European allies to reform WTO rules to address concerns about China’s subsidies for state-owned enterprises and its treatment of intellectual property rights. By casting doubt over European access to US markets, it has encouraged the European Union to contemplate closer economic ties with China. By threatening to withdraw from the WTO, it has thrown into question the very survival of the rules-based global order.

Against this backdrop, one can imagine several different scenarios unfolding in the coming decade. First, Trump’s attempt to undermine the rules-based global order could be a temporary aberration. Business organizations, such as the US Chamber of Commerce, oppose Trump’s tariffs and his efforts to tear down the North American Free Trade Agreement and the WTO. Members of Trump’s own party in the Congress remain committed to free trade. Though intimidated by the president, they understand that the United States has benefited from the rules-based international order.

Moreover, if Trump fails to wrest significant concessions from US trade partners and if his tariffs hinder the growth of US business and raise the cost of imported consumer goods, then voters may connect the dots between the president’s policies and their economic ills. Trump himself may grow weary of his imperial presidency and give way to a more conventional US leader. The US will then resume its role as a constructive member of the WTO, a signatory of the Paris Climate Accord, and a participant in a reactivated Trans-Pacific Partnership. To be sure, America’s unilateralist interlude will have weakened its influence. Other countries will have come to see it as a less reliable partner. In the meantime they will have negotiated agreements among themselves designed to reduce their economic and security dependence on the United States. Still, the Trump “pause,” if that is all that it is, will not have fundamentally reshaped the international economic order.

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A Trump follower at the National Mall in Washington DC celebrates Donald Trump's inauguration as 45th president of the United States on January 20, 2017.
More fundamentally, popular support for free and open trade requires policies that compensate the “losers” through retraining and relocation schemes, and Americans’ deep and abiding hostility to government poses a formidable obstacle to mounting such programs. An approach to campaign finance that concentrates influence in the hands of the wealthy means that tax and public spending policies designed to redistribute income to those who are left behind are singularly unlikely to gain traction. In addition, America’s ideology of market fundamentalism is conducive to forgetting the lessons of the financial crisis. This creates a real possibility that post-crisis reforms will be rolled back, making another crisis more likely and bringing about the further polarization of public opinion.  

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All these are reasons to think that the United States is singularly vulnerable to the siren song of protectionism, as it has been throughout its history, aside from only the second half of the twentieth century. They are reasons to believe, in other words, that the country’s unilateralist turn could prove enduring.  

While some of these same tendencies are also evident in Europe, there are reasons for thinking that the EU, by comparison, is more likely to remain committed to multilateralism and openness. European countries, having experienced extremist capture in the 1920s and 1930s, reformed their electoral systems to make capture by political outsiders like Trump less likely. Lacking Americans’ deep and abiding hostility to government, they are capable of mounting public programs that compensate the losers from free and open trade. Because their economies are smaller, in many cases very significantly smaller, than that of the United States, they understand that their prosperity is intrinsically linked to trade, both multilateral trade and the EU’s Single Market. Even the UK, where inequality is greatest and the reaction against the EU is most intense, remains committed to economic openness.  

But observing that Europe is likely to remain committed to openness is not the same as saying that it is capable of exercising the leadership needed to mold the international economic order. Foreign- and security-policy leverage and economic-policy leverage go hand in hand. Witness the ability of a geopolitically powerful United States to shape the post-World War II international economic order. The EU, for its part, has not shown the capacity to mount a common foreign and security policy; different European countries have very different views of what this would entail. The share of military spending in GDP is lower in Europe than in both the US and China. The continent is demographically challenged and is therefore poised to grow slowly. As Europe comes to account for a declining share of global GDP, it will become correspondingly less able to determine the nature of international relations.  

This leaves China as the obvious candidate to occupy the space vacated by the United States. As the leading trade partner and source of foreign investment for a growing number of countries, it already has some capacity to influence the shape of the international economic order. The question is what kind of order China has in mind.
The answer is not straightforward. China is committed to openness and export-led growth. As President Xi Jinping put it at Davos in January 2017, China is committed “to growing an open global economy.” In other words, Beijing will not obviously want to reshape the global trading regime in more restrictive directions.

But in other respects, globalization with Chinese characteristics will differ from globalization as we know it. Compared to other leading economies, China relies more on bilateral trade agreements and less on multilateral negotiating rounds. In 2002 China signed the China-ASEAN Comprehensive Economic Framework Agreement, and subsequently it signed bilateral free trade agreements with twelve countries around the world, with more in the works. Insofar as China continues to emphasize bilateral agreements over multilateral negotiations, this implies a reduced role for the WTO.

The Chinese State Council has called for a trade strategy that is “based in China’s periphery, radiates along the Belt and Road, and faces the world.” I read this as suggesting that it has in mind a hub-and-spoke trading system, where China is the hub and countries along its borders, or periphery, are the spokes. Other researchers have previously foreseen the emergence of a hub-and-spoke trading system in Asia, and possibly other hub-and-spoke systems centered on Europe and the United States. Were China to exert more forceful leadership of the global trading system, this scenario becomes more likely. Again, the implication is a diminished role for the WTO.

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Beijing may then wish to elaborate other China-centered regional arrangements to complement its commercial agreements and to substitute for multilateral institutions such as the IMF and World Bank. It has the Asian Infrastructure Investment Bank, headed by Jin Liqun, as an alternative to the World Bank. The PBOC has made $500 billion of swap lines available to more than thirty central banks. In 2016 the state-run China Development Bank and Industrial and Commercial Bank of China, acting presumably on behalf of the PBOC, provided Pakistan with $900 million of emergency assistance to help it stave off a currency crisis. China’s regional approach may also be motivated by the fact that it is underrepresented, in terms of quota and voting shares, at the IMF, leaving the United States as the only country with veto power in the Fund. Were the Trump administration to block IMF reform by rejecting proposals for quota revision, or were it to withdraw from the New Arrangements to Borrow (NAB), which provide the IMF with a substantial fraction of its funding, there would be additional impetus for China to develop its regional alternative.

A China-shaped international system may attach less weight to the protection of intellectual property rights, the appropriation of the intellectual property of multinational corporations by their Chinese joint-venture partners being a particular bone of contention between the Trump administration and the Xi government. Alternatively, one can imagine Beijing’s attitude on such matters changing as China itself becomes a developer of new technology. That said, the sanctity of private property, whether of residents or multinationals, has always been
A toy-factory worker stuffs a teddy bear with cotton at Wuhan, in China’s Hubei Province.
less in China’s state socialist system than in Europe or the United States. Hence, intellectual property protections are apt to be less in a China-led global system.

More generally, China’s government does more than that of the United States, through the provision of subsidies and instructions to state-owned enterprises and others, to shape the structure and evolution of its economy. Its so-called China 2025 Plan to promote the development of China’s high-tech capabilities is only the latest instance of this general approach.24

The WTO has rules intended to limit subsidies and to regulate the actions that countries can take to counter them. European Union competition policy is similarly designed to limit the use of subsidies and other state aids. A China-shaped trading system would lack, or at least limit, such disciplines.

A China-led international regime would also be less open to international investment. In 2017 China ranked behind only the Philippines and Saudi Arabia among the sixty plus countries rated by the OECD in terms of the restrictiveness of their inward Foreign Direct Investment (FDI) regime. One can think of these restrictions as another device giving Chinese enterprises space to develop their technological capabilities. This stance may change once China becomes a technological leader and as it becomes more concerned with outward than inward FDI. Or it may not. Similarly, China continues to exercise tight control over its financial system and maintains controls on capital inflows and outflows. While the IMF has evinced more sympathy for the use of such controls since the early 2000s, a China-led international regime would presumably be even more accommodating of governments that utilize them.

In sum, a China-led global economy would remain open to trade but be less multilateral, transparent, rules-based, and financially open than its Western-led predecessor.

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The past decade was a turbulent period for the global economy, opening as it did with the global financial crisis and closing with Brexit and the election of an American president with an “America First” agenda. The crisis brought to a head popular dissatisfaction with the prevailing economic order, although I have argued that it only catalyzed the already existing unease associated with ongoing trends: skill-biased technological change, rising income inequality, and the failure of governments to adequately equip individuals to cope with these problems. Of the various national reactions, that in the United States was most consequential, since it brought to office a Trump administration that essentially abrogated the country’s leadership of the global system.

The implications for the future are far from clear. It could be that the Trump presidency is a passing phase after which the United States will reassert its support for and leadership of the multilateral system. But there are also reasons to doubt that this will be the case. The hostility of Americans toward government creates less scope than in, say, Europe for intervention to compensate the casualties of creative destruction and globalization. In a period of slow growth, unlike the third quarter of the twentieth century, this renders US support for and leadership of an open multilateral system problematic to say the least.
Whether America’s unilateralist turn is temporary or permanent, there is more space either way for other powers to shape the future of the global economic order. Given its resources and ambitions, China is most likely to assume this role. A China-led system will remain open to trade, but it will be less open financially than the comparable US-led system. It will be organized more heavily along regional lines. It will admit of a more prominent role for the state. And it will be less rules-based and transparent. The idea behind admitting China to the WTO was that doing so would create pressure for the country to remake its politics and economics along Western lines. The irony is that the economic pressure that an internationally integrated China applied to the rest of the world, and to the US in particular, may end up having precisely the opposite effect.
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Notes

2. This is the 2008–18 average annual change in gross domestic product at constant prices as given in the International Monetary Fund’s World Economic Outlook.
4. This view is elaborated at greater length in Eichengreen (2015).
5. Some would point to the Savings & Loan crisis of the 1980s as an exception but, as Field (2017) shows, its macroeconomic impact was minimal.
6. A polemical but still very useful account of these trends is Johnson and Kwak (2010).
7. A good overview is Bayoumi (2017).
8. The most influential analysis of the roles of good luck and good policies in the Great Moderation is Stock and Watson (2003).
9. The argument is made most forcefully by Taylor (2015) himself.
10. Those capital flows and their determinants, including monetary policy, are analyzed by Lane (2013).
11. This is the forceful interpretation of Ball (2018). Others, such as Bernanke (2015), argue that the central bank had no choice but to allow Lehman to go under owing to its lack of eligible collateral, a conclusion that Ball vigorously disputes.
13. Numbers are again from the IMF’s World Economic Outlook database.
15. The remainder of this section draws on Eichengreen (2018).
16. This point is famously if controversially made by Reinhart and Rogoff (2009).
17. Funke, Schularick, and Trebesch (2016) provide evidence that financial crises lead to further political polarization, and to swings to the political right in particular.
18. This is the conclusion of Eichengreen (2018), where I make the arguments at more length.
19. I am thinking, for example, of the French electoral system, which allows the supporters of other candidates to unite behind the mainstream candidate in the second, run-off round of voting, or the German system, which requires a constructive vote of no confidence (agreement on a new leader) in order to dismiss a government.
20. Many of these bilateral agreements are with poor countries that are not particularly important as markets for Chinese exports. Rather, those agreements can be seen as a way for Beijing to exert additional economic leverage over the partner, and specifically to encourage it to adopt China’s technological and product standards and manage their economies in the manner of China itself.
21. Tiezzi (2018), p. 47. The same terminology has been echoed in a series of subsequent official and semi-official publications.
22. See for example Baldwin (2009).
23. Activation of the $256 billion NAB requires an 85 percent majority vote of NAB participants, giving the US a veto. In addition, the US will be required to withdraw from the NAB in 2022 absent legislative action.
24. See Balding (2018) for a discussion.

Select Bibliography
