

## POLICY Series

### America and the World - 2017 and Beyond

#### “The Clash of Global Narratives”<sup>1</sup>

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Donald Trump’s election will be “the biggest f\*\*k-you ever recorded in human history,” predicted the film-maker Michael Moore in the summer of 2016.<sup>2</sup> He reminded his Midwestern audience that it was Trump who had the audacity to meet with CEOs of Ford Motor Company and warn them: if you move your factories to Mexico, I will slap a 35% tariff on all your imports to the United States. We laughed. Trump won. Moore became a prophet.

In the months since, and the years ahead, there will be a lot of debate about the meaning of November 8; much of it is already laced with the bitterness that saturated the election campaign itself. But what does it look like in historical perspective? There are two contending big narratives. The first explains the Trump election as a bump in the long road to global integration, an unfatal blow to a fundamentally stable world order built after the fall of the Berlin Wall. Until relatively recently, few observers, even the most critical, questioned the fundamentals of global integration. True, the early euphoria around globalization—the flat-world hoopla associated with Thomas Friedman—faded into boring pragmatics. The celebration of globalization moved into technocratic matters of how to create a global regime to govern international property rights or to design plausible pledges to bend back the carbon emission curve. The United Nations (UN) Climate Change Conference, COP21, and its historic agreement in Paris in December 2015, was a significant milestone in this longer story of underlying harmonization that began with the Washington Consensus in Latin America, China’s opening, and the collapse of the Soviet Union.

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<sup>1</sup> A different version of this essay was published by *Foreign Policy* on 20 November 2016. It appears here, in a revised version, with permission of the editors of *Foreign Policy*.

<sup>2</sup> Richard Brody, “What Michael Moore Understands About Hillary Clinton,” *The New Yorker*, 19 October 2016, <http://www.newyorker.com/culture/richard-brody/what-michael-moore-understands-about-hillary-clinton>.

The story has its chroniclers, from Francis Fukuyama's heralded "end of history?" in *The National Interest* in the summer of 1989, to the spate of books in recent years entitled *The Great Convergence* (there are two of them). Basically: economic interdependence and information technologies have so profoundly laced countries together that there is no turning back.<sup>3</sup>

The second narrative is more apocalyptic. This is the end of an era, the last chapter in a long saga that saw globalism eclipse nationalism; November the 8<sup>th</sup> was the last shock to a rickety system. This narrative also has its fair share of prophets. One counterpoint to Fukuyama, it is worth recalling, was Samuel P. Huntington (somewhat paradoxically, a former mentor to Fukuyama). Huntington worried that the end of the Cold War merely unmasked more fundamental and more ominous global divides, not over ideologies of modernism, but a death struggle over modernity itself. His *The Clash of Civilizations and the Remaking of World Order* (1996) was a warning-call to the celebrants not to get too lost in the present.<sup>4</sup> And now, we are besieged by catastrophists, some of whom occupy high offices in the White House. "There is a major war brewing, a war that's already global," Trump's close advisor, Steve Bannon recently said. "Every day that we refuse to look at this as what it is, and the scale of it, and really the viciousness of it, will be a day where you will rue that we didn't act," he told a 2014 audience.<sup>5</sup>

Making sense of the implications of the Trump election is, by extension, a choice over what narrative plots the current global political juncture in a wider historic perspective. The arc is important: the story we tell about our present will frame whether Moore's prophecy represented a mood-shift to correct an imbalance or whether "the big f\*\*k-you" was a more fundamental declaration of the end of an experiment in global integration.

### *One World, American World*

To contextualize the present means reckoning with the world order that came out of the ruins of 1945. Trump knows this. When he wants "to make America great again," he has in mind a vision of grandeur in which America stood peerless on the global stage. The difference, of course, is that the Liberal Leviathan—to borrow John Ikenberry's term—played the role of liberal internationalist leader: Washington was dedicated to the construction of a multilateral world system in its mind eye, with peace, security, and eventually human

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<sup>3</sup> Francis Fukuyama, "The End of History?," *The National Interest* 16 (Summer 1989): 3-18. On convergence, see, most recently, Richard Baldwin, *The Great Convergence: Information Technology and the New Globalization* (Cambridge: Harvard University Press, 2016), and Kishore Mahbubani, *The Great Convergence: Asia, the West, and the Logic of One World* (New York: PublicAffairs, 2014). For a futuristic version, see Parag Khanna, *Connectography: Mapping the Future of Global Civilization* (New York: Random House, 2016).

<sup>4</sup> Samuel P. Huntington, *The Clash of Civilizations and the Remaking of World Order* (New York: Simon and Schuster, 1996).

<sup>5</sup> Scott Shane, Matthew Rosenberg, and Eric Lipton, "Trump Pushes Dark View of Islam to Center of U.S. Policy-Making," *The New York Times*, 1 February 2017, <https://www.nytimes.com/2017/02/01/us/politics/donald-trump-islam.html>.

rights and a healthy planet as global public goods. That Washington did not always live up to its proclaimed ideals seems the lesser problem. Now, Trump wants the Leviathan without the Liberal burdens.<sup>6</sup>

In the aftermath of the Second World War, 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 global trade in the 1930s and led to war in Europe and Asia, global re-builders hitched national economies to norms, rules, and principles of open trade. The result was a boom. From 1950 to 1973, world per capita incomes grew by 3 per cent per year—powered by a trade explosion of 8 per cent per year. Cooperation triumphed; interdependence brought prosperity. Michael Moore’s heroic machinists and welders lived off the bounty of Ford’s global supremacy. They are the guys that Trump wants to bring back to the re-greased assembly lines.

The second pillar concerned national policies. To cope with the dislocations of interdependence, governments created safety nets and programs at home to manage the risks and to shelter the cast-aways. From welfare to workplace, from capital controls to expanded education, national policies buffered market perils and adapted families to commercial and technological changes. What is more, 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.

Nowhere did the twin pillars of a global new deal make more headway than in the core of world disorder since 1914: Europe. After 1945, a coterie of European leaders agreed that a lasting peace required more than the simple coexistence of rivalrous countries on the crowded western fringe of Eurasia. Coexistence of balanced powers had been the staple of European diplomacy since the Congress of Vienna in 1815. It broke down in 1914. It imploded in 1939. Instead, post-war new federalists argued, European states needed to embrace their interdependence and bury old enmities. What followed was the dismantling, with Washington’s benevolent encouragement and New York’s finance, step-by-step, of national sovereignty on the continent.

The process started with the alignment of France and Germany under the Schuman Plan in 1950, which put their coal and steel production under a common, bi-national roof. The Netherlands, Belgium, Italy and Luxembourg soon followed, forming a core of relatively homogenous democratic welfare states, built upon industrial societies that shared a common identity and common values, all sharing pooled resources. Or so the Europeanizers hoped and came to believe.

This was the global new deal that buoyed the post-war liberal order. It opened borders while protecting societies from the hazards of integration across borders.

*Doomed?*

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<sup>6</sup> G. John Ikenberry, *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order* (Princeton: Princeton University Press, 2012).

It was unsustainable. Both pillars eventually collapsed like Greek columns. Underneath them, an important foundation had shifted, and there is no way to recreate the original conditions of the global new deal. At the dawn of Washington-led re-build in 1945, the United States economy was larger than all of Europe, Japan, and the USSR combined. It is easy to lead when you dominate. The effects of the Second World War yielded a global Leviathan – but one that did not impose itself, like Rome, on neighbors. It did not have to. Indeed, what was remarkable about the long re-build was how much elites and workers in Europe and Asia agreed on the fundamentals of post-War 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. This new deal truly was global. But it depended on cooperation to manage currencies and to dismantle trade barriers.

But those conditions that gave rise to the Liberal Leviathan dissolved because the model of integration was so successful. Japan, Germany, and eventually China, South Korea, and Brazil scrambled for their market shares. Suddenly, Ford had to compete on home turf with Toyota. Global trade boomed even more; from 1980 to 2011, world trade grew by an astonishing 8.2 percent—twice as fast as world output. Released from Mao’s grip, China leaped from a meager 0.89 per cent of world export shares in 1980 to 10 per cent in 2011, muscling past the United States. In that same period, the United States held its own as the world’s safety net for imports—consuming 12.3 per cent of all world’s imports (China trails with 9.5 per cent) and creating a trade imbalance of unprecedented proportions.

Then, global competition ravaged national welfare states. Domestic safety nets got torn up in a fever to make economies more nimble, more adaptive to global realities. Deregulators, privatizers, and a free market orthodoxy took hold, shredding the pacts that once eased the effects of globalization. Trade unions that were once keys to manufacturing the consent behind the global new deal, got crushed. So, as supply chains outsourced automobile parts production to Indonesia and Mexico, and t-shirt making to Bangladesh and Morocco, dependence across societies produced greater inequality within societies.

In this fashion, the world became more integrated while becoming more unequal. Factories closed; New York went bankrupt; in the winter of 1978-1979, the lights went out in Britain and people shivered in the dark; Ford’s global market shares began to nosedive. Even Hollywood got into the gloom business with Sally Fields as *Norma Rae* in a dying mill town in North Carolina; Jennifer Beals played the hard-luck steelworker whose way out of the rust belt was as an exotic dancer in *Flashdance*.

*Saved?*

Why did it not breakdown in the 1970s, when the first great malaise set in, when the signs of a spreading precariat surfaced? It nearly did. The Club of Rome predicted the end of growth and beginnings of a dark age of scarcity; ‘survival’ became a buzzword. Declinism was all the rage. Then, the global system got two, improbable, lifelines.

One came in the form of credit. Moneylending took off. After 1973, the global financial industry soared; within a decade, financial markets had grown 400%. 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 GDP rose even more after the crisis of 2008.<sup>7</sup> Last year, it ballooned to \$152 trillion – over 225 per cent of world output. Half the debt load rests on government shoulders.

The second was cheap fossil fuels. Despite warnings that we would bake the planet, the need to move vehicles, spread factories, and cool homes, the scramble for market shares and middle-class betterment, meant more combustion of coal, gas, and oil. The credit spree invigorated a carbon binge of historic proportions. 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 CO2 emissions worldwide since 1750 have taken place since 1985.

Credit and carbon became the new legitimating conditions for global integration. They eclipsed the old buffering mechanisms of the welfare states in deepening global integration. Expanding public services and protections softened market risks before 1973; they got replaced by the private comforts of combustion and monthly credit card notices.

This model of integration, often labeled neo-liberal, came to replace the global new deal and enjoyed expansive new powers. In Europe, the initial tightly-knotted union spread southward and eastward. Even the standoffish Brits joined in 1973, though they did not embrace the common currency. This spread diluted the homogeneity of the original club.

But the union held. The Cold War created a common foe and allowed Western leaders to hold up the union of democratic, capitalist, European societies as a counterpoint to the centrally planned regimes. But they also brought new members into the market-opening and decontrolling ethos of neo-liberalism; countries like Spain and Greece set aside their protectionist and corporatist ways. The fall of the Berlin Wall removed the threat from the left and the Soviet Union. With no common enemy and no common identity, what remained to hold Europe together? All that was left was the economy, which, for a time, looked like a powerful binding force. Indeed, the sprawl eastward to Poland and other former Warsaw Bloc countries was part of a general effort to support market-friendly transitions from planned economies.

The original stolid coal-and-steel coalition gave way to a nimbler moneyed market, transforming the union from a trading bloc to a dynamic financial bloc. Today, capital criss-crosses European borders in sums and velocities that eclipse the older flows of commodities. The introduction of a common currency only sped up this transformation: In the wake of the euro roll-out in January 1999, the financial imbalances between lending countries and borrowing countries billowed.

I said carbon and credit 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.

If the access to carbon and credit appeared to solve the problem, there was an additional, legitimating shock. In 1989, American leadership got a new lease. At least for a while. The fall of the Berlin Wall, the breakup of

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<sup>7</sup> Richard Dobbs, Susan Lund, Jonathan Woetzel, and Mina Mutafchieva, “Debt and (not much) deleveraging,” *McKinsey Global Institute* Report, February 2015, <http://www.mckinsey.com/global-themes/employment-and-growth/debt-and-not-much-deleveraging>.

the USSR, and some gloating about the end of history created a sense of renewed American grandeur and the triumph of free markets; if America became great again, it was thanks to the fact that the Soviet bloc collapsed first – under the weight of its own heavy metal ideology. As if to coin a new age of American leadership, the idea of a ‘Washington Consensus’ came to the rescue in the same way that the Marshall Plan had in 1947. The difference was, of course, that the cocktail of austerity and debt restructuring under the Washington Consensus never won the undying appreciation of consumer-citizens of the Third World that the original global new deal won from counterparts in Japan or Western Europe in the 1940s.

### *Precarious Times*

As the credit-carbon lifelines should remind us, it can be reckless to predict the end of a system that may, instead, be going through growing pains. It may well be that we are rehearsing something akin to the 1970s nowadays. But it is worth underscoring that the response to the malaise of the 1970s yielded more, not less, integration. It’s hard to find much evidence of any willingness to give up more sovereignty in the current anti-globalist backlash.

What is more, there are some basic, structural challenges afoot. Long before Trump’s inauguration, the core of the Washington-led global new deal’s makeover, Europe, was already splitting at the seams. Today, we are left with a Europe comprised of disparate states, an economy on the ropes, and plagued by a common enemy in some of its major cities that, rather than uniting them, divides the continent into two separate blocs. Indeed, more than any time in its modern history, the threats to Europe’s common fabric come from within, not from without. With the old threat of Communism peeled away, the internal divides of a deeply heterogeneous union only got magnified.

The past decade exposed almost all of Europe’s fundamental weaknesses. The massive capital flows across the continent were not a problem as long as the money kept moving from richer countries to poorer ones, from savers to spenders, from the old core to the newer peripheral members. But capital flows suddenly reversed themselves in 2010, in the wake of the Wall Street meltdown: after a decade of infusion, suddenly households, banks, and firms in borrowing countries saw money stampeding out, leaving them unable to service their debts.

The structures of the union snapped under the weight of the crisis. The priorities of the two founding countries did not align: today, Germany is a creditor and France a debtor, and they diverge on how to manage the string of financial crises that have affected Europe since 2008. Thus, instead of a coordinated and collaborative response, leaders resorted to emergency last-minute solutions that only just succeeded in preventing catastrophe, but set off a ruinous spiral of public sector borrowing. The effect was to partition Europe into two blocs that were locked in a winner-take-all struggle. Gone was any sense of shared interest, not to mention higher purpose: Creditor countries came together to impose conditions on debtors; Greece and other borrowers withdrew, after a ruckus, into a kind of sullen silence. All that is left on the horizon is endless austerity, deteriorating faith in public institutions, and a Europe more divided than any time since the fall of the Berlin Wall.

Then Europe got thumped by the migrant crisis, which, perhaps even more than the financial crisis, has brought the union’s incapacity for decision-making into sharp relief. Unrest in the Middle East and parts of Africa has sent more than a million asylum seekers across the Mediterranean, about half of them from Syria. Attempts to share the humanitarian burden have pulled back the veil on the depth of Europe’s various

divides. Unable to act in concert, the current governance has pushed crisis management down to the national level. Countries like Germany and Sweden have thrown open their doors, to the dismay of many of their neighbors; Poland and Hungary have refused to take in asylum seekers. Fences are going up all over the Balkans. One of the pillars of European integration, the Schengen system which created open borders for the internal movement of people, is on life-support.

The spate of terror attacks in Paris and Brussels only emboldened the skeptics' view of European authorities as singularly incapable of doing the bare minimum expected of states: keep citizens safe. That the latest attacks unfolded blocks from the capital buildings, set off by bombers who rely on regional networks for training, shelter, and coordination, only darkened the clouds hovering over the European polity. While it was largely Belgian and French security officers who failed to connect the dots, faith in Europe as a whole took a hit.

After a long life, seven decades of American-led order is now exhausted. In effect: the unique moment that produced the liberal Leviathan passed. The Cold War—not to mention 1945!—is a matter for textbooks. The addiction to carbon and credit is under assault. The bill for relying on fossil fuels is turning up in the form of climate change. As Washington pivoted to Asia, swaths of the unprotected precariat pivoted to part-time jobs in Walmart and Home Depot to cover the monthly interest on their Visa cards. In the aftermath of the financial crisis of 2008, millions of manufacturing sector workers lost their jobs.

### *Double Impasse*

And now: not since 1930 has the global trading order been more threatened. No one is coming to the rescue. British Prime Minister David Cameron botched the Brexit campaign. Democratic Party nominee Hillary Clinton stumbled through questions about the misunderstood Trans-Pacific Partnership and cringed whenever NAFTA came up; watching her body language in the televised debates with Donald Trump was like witnessing a mother embarrassed about her own child at field day. Little Wallonia in Belgium nearly scotched a trade deal between Canada and Europe. If those two sides can't pull it off, who can? In the vacuum, wall-builders and exiteers promise to revive a zombie version of American grandeur with more carbon, more credit, and a mercantilist crusade.

There is a paradox here: in order to make America great again, a coalition of wall-builders and treaty-shredders aim to do it by up-ending the grand strategy that informed generations of thinking and policymaking since 1945, precisely the model that signaled American greatness. Global integration relied on the U.S. playing the vital stabilizing role in an otherwise turbulent world. It was running out of steam anyway. But what the new regime in Washington promises to do is become the single most important source of instability.

Whether Americans can stomach this mode of leadership, and the newsfeed churnalism and digital hyperbole that will surround it, remains to be seen. Behind the scenes, though, we have to ask: is it possible to lead without being dominant? If we are to return to the esprit of '45, where cooperation was the keyword for making world order work, who will lead and how?

Here, it seems to me, we face three hurdles to cooperative decision-making. Can Washington self-correct from the swerve it has taken to nativism and *sauve-qui-peut* unilateralism? Much depends on whether there is any consensus for a version of what got labeled as 'leading from behind'—which accepted diminished relative American power and lower sights. This was not a very sexy self-image and was vulnerable to demagogues

selling illusions of grandeur. Can Europe get its act together and rebuild the creaking beam of the original Franco-German alliance of 1950? Much depends on the French elections, and whether Marine Le Pen finally leads the *Front National* past the post in the second round of the polls in early May. But then there is also a burden on a downsized Angela Merkel, who will have to reckon with the need to ease up on Germans' anti-inflationary zeal and their own inward turn after the open-door experiment with refugees which Trump derided publicly. And there is China. At the recent hob-nobbing in Davos, Chinese leader Xi Jinping, positioned Beijing as the new guardian of global integration, willing to take on the mantle as the protector of global public goods. But can China really wean itself off of thirty years of free-riding, open its markets to Western imports, desist from its own sabre-rattling temptations, and shoulder the load that the Liberal Leviathan did in 1945?

It may be time to start thinking about global cooperation without a Leviathan at all. There were steps in that direction. They now seem eclipsed by the snarling nativism of Nation-X Firsters. I doubt that a cooperative élan will recover any time soon. If I were forced to wager a bet, my guess is that we will muddle through. We won't see a tilt either way. Why? Because the beneficiaries of integration, like the coastal, cosmopolitan elites of the United States, let their domestic coalitions rot, and so they have a hard time rebuilding ruling alliances. Variations on this decomposition are getting played out country by country. It is hard to see any urge to go back to the safety-net principles of the global new deal that bonded the post-'45 blocs. And we cannot go further into the credit-and-carbon vortex.

Instead, shared decision-making will get ever more fractious as parties feel beholden to their grudging nationalist constituencies at home. The cost will be degradation of an already stressed out multilateral institutional fabric – and an inability to cope with the rising humanitarian toll that comes from inaction.

Muddling through and managing the fallout as best we can may be the best we can hope for. At least for the moment. In the meantime: we have to square up to our double impasse. The first is: we face an exhaustion of the old model of integration, which traded off national sovereignty for global public goods but relied on nation-states to manage the disruptions of integration. Whether the impasse becomes a full-blown crisis, like 1914 or 1929 depends in part on how we resolve a second impasse: what kind of story we want to tell about the longer epic of global integration? It's not at all clear. Is this a pause in the bigger narrative about the Great Convergence? Or is this a permanent rebalancing in favor of the nation state after decades of elite-driven globalism? Who knows? But which narrative wins the contest for public sentiment will matter: stories can be powerful instruments for mobilizing public energies and personal fortunes to build alternative worlds.

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