

International Cooperation in the Age of Populism



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1 **Abstract** For much of the post-World War Two period, the world seemed on a
2 path of ever-greater collaboration among the principal economic centers. In the past
3 decade, economic and political trends have called this upward tendency into question.
4 Within both advanced industrial and developing nations, there has been an upsurge in
5 “populist” sentiment with an economically nationalistic tenor and an explicit hostility
6 to “globalist” approaches to economic cooperation. What is the future of international
7 economic cooperation in a world in which domestic political pressures appear to be
8 pushing the major powers apart, rather than together?

9 **Keywords** Global governance · Globalization · International cooperation ·
10 Nationalism · Populism

11 1 Global Governance, Found and Lost

12 A couple of decades ago, at the turn of the twenty-first century, the age of global gover-
13 nance seemed to have dawned—or at least appeared on the horizon. Logic supported
14 it: global markets, global problems, and global externalities all demanded global
15 solutions. Policymakers seemed increasingly committed to an unprecedented level
16 of inter-state economic integration and policy coordination. An ever more expansive
17 class of globalists—cosmopolitan, educated, energetic—was coalescing. The future
18 of the world was presaged by the galloping pace of economic and political integra-
19 tion in Europe, now joined in a single market heading toward the free movement
20 of goods, capital, and people, and mostly sharing a common currency. The most
21 dramatic experiment in integration since the Roman Empire seemed well on its way
22 to prove that global governance was feasible—even necessary.

23 The crisis that erupted late in 2007, troubling as it was, seemed only to demonstrate
24 the promise of the new globalizing reality. Elected policymakers faced many obsta-
25 cles to an adequate response to the crisis, and there was a notable lack of appropriate,

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or appropriately coordinated, fiscal policies. However, the monetary and financial authorities of the major economic powers did in fact work closely together to engineer coordinated policies to address the frightening prospect of a crisis that might well have been longer and deeper than the great depression of the 1930s. This hardly amounted to the existence of a global lender of last resort and a global financial regulatory agency to provide the global public goods of monetary and financial stability. Nonetheless, the cooperative measures among policymakers came close enough to fill this bill that there was speculation that the next step would in fact be to create such a global institutions—or to transform the International Monetary Fund (IMF) into one. Difficult as the crisis was, the early returns suggested guarded optimism about the possibility of global governance provided by far-seeing policymakers.

It was not to be. Stirrings of discontent surfaced almost as soon as countries began to emerge from the depths of the crisis. In the USA, a rebellious right-wing reaction took the form of the Tea Party movement, which helped the Republican Party sweep the midterm election of 2010. Europe’s governments collapsed into bitter disputes over how best to address accumulated debts, and the region fell into a second recession, as leftist movements and parties opposed to austerity shot to prominence in the debtor nations.

Even after the purely economic impact of the crisis began to fade, its political effects matured and grew. In almost all the developed world, and much of the developing one, movements arose and proliferated that varied on many dimensions but were similar on several. They rejected most existing political institutions, parties, and politicians. They couched their rejection in absolutist terms, pitting “the people” against a spent and corrupt elite. They were hostile to globalism and the stateless cosmopolitanism of the new global ruling class. These “populist” movements of right and left grew almost everywhere—and were able to win elections in some cases, most prominently in the USA.

What explains the emergence of this rejection of global economic and political integration? What is its significance? Has it put a definitive stop to efforts to create and extend global governance? What might slow or stop the march of populism? This essay suggests some answers to these questions.

2 The Sources and Meaning of the Populist Upsurge

The 2016 presidential election in the USA was both a symbol of the new political reality and a watershed in American political history. For the first time in over 80 years, candidates for the presidential nomination of *both* political parties ran on platforms of explicit hostility to international trade, international finance, and international investment. The rhetoric of Bernie Sanders and Donald Trump was, indeed, strikingly similar. Donald Trump said:

Our politicians have aggressively pursued a policy of globalization, moving our jobs, our wealth and our factories to Mexico and overseas. Globalization has made the financial elite

66 very, very wealthy.[...] But it has left millions of our workers with nothing but poverty and
67 heartache.

68 For his part, Bernie Sanders argued:

69 [T]rade is [...] a significant reason why Americans are working longer hours for low wages
70 and why we are seeing our jobs go to China and other low-wage countries.[...] [W]e should
71 have a trade policy which represents the working families of this country, that rebuilds our
72 manufacturing base, not that just represents the CEOs of large multinational corporations.

73 By the same token, Trump claimed:

74 NAFTA was the worst trade deal in history.[...] And China's entrance into the World Trade
75 Organization has enabled the greatest job theft in the history of our country.¹

76 While Sanders was only slightly less bombastic:

77 NAFTA, CAFTA, PNTR with China [...] have been a disaster for the American worker.[...]
78 Working people understand that after NAFTA, CAFTA, PNTR with China we have lost
79 millions of decent paying jobs.²

80 Of course, one of those candidates won the nomination of his party and went on to
81 win the presidency. And this brought to the most powerful office in the world, again
82 for the first time in 80 years, a policymaker who was avowedly hostile to international
83 trade, finance, investment, and immigration, as well as to what he called "globalism,"
84 and to multilateralism.

85 The root causes of this striking turn in American politics, and in American foreign
86 economic policy, go back at least forty years. The country's income distribution has
87 deteriorated almost continually—with a pause in the 1990s—since the early 1970s.
88 Almost from the start, many Americans connected this trend with the position of the
89 USA in the international economy. In the 1970s and 1980s, there were those who
90 blamed the stagnation and decline in the wages of unskilled workers on a dramatic
91 increase in imports from developing countries. It is worth noting that this had little to
92 do with China and referred primarily to what were then called the Newly Industrial-
93 izing Countries (NICs): South Korea, Taiwan, Hong Kong, Singapore, Mexico, and
94 Brazil. As late at 1990, China ranked fourth among developing-country exporters to
95 the USA, after South Korea, Taiwan, and Mexico. The connection was based on good
96 Heckscher-Ohlin logic: greater trade with countries rich in unskilled labor would put
97 downward pressure on unskilled wages in the USA.

98 This logic led to the original "trade and wages" debate, about the relative impor-
99 tance of trade and skill-biased technological change respectively to the deterioration
100 of the return to unskilled labor in the USA. It is useful to recall that this debate raged
101 in the late 1980s and early 1990s, long before China was a major force (Freeman
102 1995). The consensus was that technological change was far more important than

¹For the Trump quotes, see David Jackson, "Donald Trump targets globalization and free trade as job-killers," U.S.A Today, 28 June 2016.

²For the Sanders quotes, see "Bernie Sanders on Free Trade," On The Issues, available at: https://www.ontheissues.org/International/Bernie_Sanders_Free_Trade.htm.

103 trade, although more recent reevaluations tend to find a greater impact of trade than
 104 had previously been expected (Autor et al. 2013; Krugman 2008).

105 In the 1990s and early 2000s, as unskilled wages largely stabilized—at a lower
 106 level—much of the attention shifted to the increasing separation between the middle
 107 class and the top registers of the income distribution. Whether the target was the top
 108 1 percent or the top 10%, activists and others pointed to the emergence of “head-
 109 quarters cities” and “superstar firms” collecting in prosperous urban agglomerations,
 110 pushing out the middle class and leaving them behind. Again, many made a connec-
 111 tion to globalization and regarded the problem as result of an alliance among inter-
 112 nationalistic firms and banks, globalist governments, and international organizations
 113 that privileged markets over social goals. This perspective, largely from the Left,
 114 was especially prominent in the late 1990s, culminating in the so-called Battle for
 115 Seattle in 1999, on the occasion of a World Trade Organization (WTO) Ministerial
 116 Conference.

117 The American middle class had reason to complain. Over the 1980s and into the
 118 early 1990s, median household income was largely stagnant in real terms. Rapid
 119 economic growth in the 1990s served to paper over some of the discontent. But into
 120 the 2000s, real median household income again stagnated. Some of this middle-class
 121 stagnation was masked by the 2001–2007 boom in housing and asset prices, which
 122 helped increase middle-class wealth. But even during those go-go years, the gains
 123 from economic growth were not distributed evenly. During the expansion, two-thirds
 124 of the country’s income growth went to the top one percent of the population. These
 125 American families, each earning more than US\$ 400,000 a year, saw their incomes
 126 rise by more than 60% between 2002 and 2007, while the income of the rest of the
 127 country’s households rose by 6%.³ And even that meager growth was taken back by
 128 the Great Financial Crisis (GFC) that began late in 2007.

129 The impact of the GFC is hard to over-estimate. We see it easily in Europe, where
 130 the crisis in the Eurozone was so severe that it took almost ten years for GDP per
 131 capita to recover to its pre-crisis levels. Moreover, the unequal distribution of the
 132 burden of adjustment is clear in the European context, where the heavily indebted
 133 countries suffered depression-like economic collapses. In Spain and Greece, GDP
 134 per capita fell by 10 and 25%, respectively, while unemployment peaked at over
 135 25%—and over 15% in Portugal and Ireland.⁴

136 The crisis in the USA was almost as severe and almost as unequally distributed.
 137 It took six years for American GDP per capita to recover, nine years for median
 138 household income. As in Europe, the aggregate numbers mask substantial regional
 139 variation. Median household income in prosperous states like Massachusetts and New
 140 York has risen by 10 or 15% since the crisis, while troubled states like Michigan,
 141 Wisconsin, and Florida are still below pre-crisis levels. The regional contrast was
 142 also clear in differential rates of unemployment. The unemployment rate in Michigan
 143 peaked at 15%, while it never reached 9% in New York and Massachusetts.⁵

³For more details, see Chinn and Frieden (2011).

⁴All data are from Eurostat.

⁵All data are from the St. Louis Fed’s FRED.

144 The disparities in the impact of the American crisis among social groups were
145 even greater. At the height of the GFC, the national unemployment rate was 10%.
146 Among the poorest third of American households, however, unemployment was 18%;
147 if the underemployed (including discouraged and involuntary part-time workers)
148 are included, the rate rises to 35%. Meanwhile, in the richest third of American
149 households, unemployment peaked at 4% and, including the underemployed, at 9%
150 (Chinn and Frieden 2011, pp 148–149). Perhaps most striking has been the collapse
151 of middle-class wealth: median household wealth in 2016 was 34% *below* where it
152 had been in 2007—this while the household wealth of the top 20% of the population
153 *grew* by 33%. Indeed, by 2016, the richest 20% of American households owned 77%
154 of the country’s wealth—more than three times that owned by the entire middle class
155 (the middle 60% of households). Even more striking, the richest 1% of American
156 households owned substantially more than the middle class combined (Sawhill and
157 Pulliam 2019; Wolff 2017). The most striking imbalances in the American crisis
158 and recovery were—as in the expansion that preceded it—among groups in the
159 population. Not only had the rich gotten richer during the boom, they continued to
160 get richer during the crisis and the recovery.

161 In both Europe and the USA, the crisis and its aftermath highlighted the failures
162 of existing elites to address their societies’ problems. In Europe, the member states
163 of the Eurozone were completely unable to arrive at a reasonable resolution of the
164 Eurozone debt crisis. The catastrophic mess that enveloped the Eurozone was entirely
165 avoidable, and yet the region’s political leaders could not avoid it (Frieden and Walter
166 2017). In the USA, politicians and pundits emphasized the general recovery of the
167 economy—and of the stock market—and focused on the booming prosperity of the
168 big cities. They ignored the fact that vast swaths of the population, including much
169 of the middle class, were worse off than they had been before the crisis.

170 Existing political institutions, parties, and leaders had failed on two dimensions.
171 There was a *failure of compensation*: an unwillingness or inability to safeguard
172 the interests of those harmed by international and domestic economic events, while
173 catering to and celebrating the beneficiaries. There was a *failure of representation*: an
174 unwillingness or inability to accurately reflect and address the needs of large portions
175 of the population.⁶ For decades since World War Two, in Europe and North America,
176 a centrist consensus had reigned. The center-left and the center-right, for all their
177 differences, agreed on the broad contours of domestic and international economic
178 policies. As large portions of these economies fell farther behind, those left out of
179 the consensus had nowhere to turn—until they did.

180 The political reaction to these failures was swift. Over the course of 2009, the
181 Tea Party movement swept the USA and the Republican Party, culminating in major
182 successes in primary and general elections in 2010. The movement lay the ground-
183 work for Donald Trump’s populist campaign of 2016 and played a major role in
184 remaking the Republican Party in its, and Trump’s, images. On the democratic
185 side, Senator Bernie Sanders led the “progressive” wing in attacking Democratic
186 Party moderates. In Europe, populists of the left quickly rose in Greece and Spain,

⁶For more details, see Frieden (2019).

187 soon taking power in the former and becoming a major political force in the latter.
 188 Within a few years, almost every western European country had a powerful populist
 189 movement, whether of the right or of the left.

190 Although there were substantial differences among the various populist move-
 191 ments, some things tied them together. They all, to one extent or another, rejected
 192 existing political institutions, parties, and leaders. And they all harbored a basic
 193 hostility toward economic and political integration. In Europe, the European Union
 194 was the principal target; in the USA, the target was globalization, “globalism” and
 195 multilateralism in general.

196 There is not always a direct connection between this sort of populism—especially
 197 of the right—and opposition to globalization. In Europe, it often takes the form
 198 of opposition to European integration or of aspects of integration that they see as
 199 impinging upon national sovereignty. The target of the hostility might be EU-imposed
 200 austerity, in the debtor nations, or EU policies toward regulation or immigration, in
 201 other countries. Some in the Trump administration, like some British supporters of
 202 Brexit, might argue that their economic nationalism is in pursuit of the ultimate
 203 goal of a *more* open economy. Nonetheless, virtually all these movements share an
 204 aversion to “globalism” and to the kind of international collaboration and integration
 205 that has been the norm since the 1940s.

206 Donald Trump was explicit in speaking to the United Nations in September 2018.
 207 “We reject the ideology of globalism,” he said, and promised to “defend against
 208 threats to sovereignty [...] from global governance.”⁷ In this context, the future of
 209 international cooperation on economic problems—or any problems, for that matter—
 210 is in serious doubt.

211 3 Nationalist Populism and International Cooperation

212 Populists of the modern variety have made abundantly clear that they are uninter-
 213 ested in—and often hostile to—the previous elites’ quest for global cooperation. The
 214 Trump Administration has eschewed multilateralism in favor of bilateral, or unilat-
 215 eral, action on trade. It is hostile to the WTO, ignoring it in most of its actions and
 216 actively impeding the work of the Dispute Settlement System. Such central Euro-
 217 pean populists as Hungarian prime minister Viktor Orban boast about building “a
 218 new state built on illiberal and national foundations.”⁸ They reject EU oversight of
 219 their domestic policies, and EU attempts to allocate refugees and asylum-seekers

⁷“Remarks by President Trump to the 73rd Session of the United Nations General Assembly,” United Nations, New York, 25 September 2018. Available at <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-73rd-session-United-nations-general-assembly-new-york-ny/>. Accessed 2 January 2020.

⁸“Prime Minister Viktor Orbán’s Speech at the 25th Bálványos Summer Free University and Student Camp,” 26 July 2014, available at: <https://www.kormany.hu/en/the-prime-minister/the-prime-minister-s-speeches/prime-minister-viktor-orban-s-speech-at-the-25th-balvanyos-summer-free-university-and-student-camp>. Accessed 2 January 2020.

220 among member states. They may welcome the openness of European markets to
221 their goods and people, but they resist the attempts of other EU member states to
222 harmonize and coordinate policies and principles.

223 This is not to take a position on the correctness or less of the populists' positions. In
224 most instances, there is a logic to their arguments. There is a great diversity of socio-
225 economic realities and political views among the member states of the European
226 Union and attempts to create common policies may well be unrealistic in many
227 arenas. Supporters of the populist nationalists in Europe often argue that integration
228 has gone too far, too fast, and that the EU needs to correct its course and set its
229 integrationist sights lower. This view is also held by some decidedly non-populist
230 observers (such as Mody 2018).

231 The American populist variant shares with its European counterparts a bitter
232 disdain for elite internationalism, which it blames for inflicting hardship on “the
233 people” and for steering the country away from its traditions. Donald Trump’s 2016
234 presidential campaign, and his rhetoric in office afterward, emphasized his dedica-
235 tion to the middle class, and to the country’s industrial base. Trump on campaign,
236 and Trump in office, have been explicitly hostile to globalization. More specifically,
237 the Trump Administration has moved sharply away from the country’s post-war
238 commitment to multilateralism. The Administration’s trade policy, in particular, has
239 been a notable departure from that of past administrations. It has undertaken a series
240 of unilateral measures and bilateral negotiations, most of which are clearly incon-
241 sistent with reigning WTO principles. Trade is only one foreign-policy arena in
242 which America’s nationalist populists have largely jettisoned previous patterns of
243 multilateral engagement.

244 While the specific policies pursued by populists in power are important—espe-
245 cially in the case of the United States—their policy principles are less important
246 than the underlying political realities they reflect. For if it were simply a matter
247 of one political party of two, or among many in the European cases, one might
248 expect an eventual reversion to the strategies of the past. However, there is substan-
249 tial evidence that the populists—in or out of office—are a political reflection of
250 powerful socio-economic trends that affect most industrial societies. The power of
251 these trends is indicated by the fact that the democrats have moved in a decidedly
252 more protectionist direction—something evident in the 2016 presidential campaign,
253 when Hillary Clinton felt constrained to disavow the Trans-Pacific Partnership she
254 had helped design. Similar pressures have led many European center-right (and even
255 center-left) parties to move closer to the positions of their populist challengers.

256 The new economic nationalists in western Europe and the USA find their prin-
257 cipal bases of support in regions of their respective countries that are economically
258 distressed—and, in particular, in regions that have experienced deindustrialization.⁹
259 While, as previously noted, there are many reasons for the loss of manufacturing
260 jobs in rich countries, foreign competition and the relocation of production offshore

⁹For examples of evidence along these lines, see Broz et al. (2019), Colantone and Stanig (2018, 2019) and Dal Bó et al. (2018).

261 are prominent causes, and causes that—unlike automation—suggest potential policy
262 responses.

263 The problems of formerly industrial regions in decline are complex and of long
264 standing, and they are not amenable to quick fixes. Their recovery will require some
265 combination of adjustment policies to soften the blows from technological change
266 and globalization, and structural policies whose impact is likely to be felt only over
267 decades. These regions need substantial improvements in education, in workforce
268 development, and in the economic and social infrastructure. They also need good
269 jobs for their residents, although we have little clear guidance as to the measures best
270 suited to ensure a steady supply of such good jobs.¹⁰

271 There are substantial, long-term, structural sources of the discontent that has
272 rippled—or torn—through advanced industrial societies over the past decade. It was
273 probably not preordained that the discontent would be captured and channeled by
274 nationalist populists, largely of the right but also of the left. However, that is how the
275 politics developed, and they are unlikely to recede any time soon.

276 The underlying politics of the present day—and of the present-day backlash
277 against globalization and integration—must be the foundation for any sensible
278 projection of the prospects for international economic cooperation. Current trends
279 would not seem promising even for a maintenance of current levels of cooperation,
280 let alone for their deepening into some meaningful forms of global governance.

281 4 Global Governance: Past Imperfect, Present Tense, 282 Future Conditional¹¹

283 The battle for international economic cooperation will be won or lost on the field
284 of domestic politics. This much seems clear from current trends, and how they have
285 affected international economic relations in the past few years. A look at the history
286 of the successes and failures of global economic integration—and there is a long
287 history to draw upon—is equally instructive.

288 The central problem of an integrated international economy is to manage the deli-
289 cate relationship between the demands of international economic collaboration, on
290 the one hand, and the demands of domestic social and political realities, on the other.
291 The first era of globalization, in the *nineteenth* and early twentieth centuries, solved
292 this problem by excluding most domestic groups from meaningful participation in
293 political and social life. This proved untenable in the interwar years and led to catas-
294 trophe. During the first decades of the post-World War Two order, which we may call
295 the Bretton Woods period, the balancing act was managed with a series of important
296 compromises. As the world transitioned to the “high globalization” of the 1990s and
297 after, that balancing act became increasingly difficult—and its difficulties are central
298 to the problems of today. A short sketch of this trajectory is illustrative.

¹⁰Rodrik and Sable (2019) provide one perspective.

¹¹With apologies to Frieden et al. (2012), from which some of this section is adapted.

299 For decades before 1914, the international economy was roughly as integrated as it
 300 is today. That first era of globalization was remarkably successful by the standards of
 301 the time. The world economy grew more in the 75 years before 1914 than it had in the
 302 previous 750, and there was substantial convergence among countries of the core and
 303 lands of recent settlement. Macroeconomic conditions were relatively stable, despite
 304 periodic crises and “panics.” None of this is to ignore the uglier sides of the period—
 305 colonialism, authoritarian governments, agrarian crises and grinding urban poverty
 306 were all parts of the 19th and early twentieth-century world order. Nonetheless,
 307 compared to what had come before—and what came immediately after—this was a
 308 flourishing global economy.

309 And yet that globalized economy came to a grinding halt in 1914. After WWI was
 310 over, the world’s political and economic leaders attempted to restore the classical
 311 order that had prevailed for so long—and failed. It was not for lack of trying, as
 312 conferences, meetings, treaties and international organizations proliferated as never
 313 before. But nothing worked. The global economy fragmented and eventually, after
 314 the 1929 downturn hit, broke up into trade and currency wars, and eventually shooting
 315 wars.¹²

316 There are some interesting parallels between the interwar period and the present
 317 day. Apart from the superficial similarities between some of the current populist
 318 movements and interwar ones—such as the re-use of the America First label by
 319 the Trump Administration—there are deeper connections. One is that the regional
 320 political base of the Trump Administration, and in particular of its more protectionist
 321 trade policies, is to be found in the regions of the country that were the principal
 322 sources of isolationist sentiment in the 1920s and 1930s, especially the industrial
 323 belt in the midwest along with states in the Great Plains and the Rocky Mountains.
 324 Another parallel has to do with the rejection of multilateralism: the isolationists,
 325 along with many Americans, felt that existing international organizations did not
 326 accurately reflect the role of the USA in the world and were indeed intended to
 327 constrain US influence.

328 There are two principal lessons of the first era of globalization and its collapse after
 329 1918. First, an open international economy requires collaboration among the major
 330 economic powers, especially during periods of economic stress. The nineteenth-
 331 century fiction of self-equilibrating international markets may have applied to partic-
 332 ular markets but it did not apply to the world economy as a whole. For a globalized
 333 economy to persist, especially in the face of periodic crises, the principal financial
 334 centers need to cooperate to stabilize markets and safeguard openness.

335 The second lesson of the collapse of the classical version of globalization is
 336 that national governments cannot undertake the measures needed to sustain an open
 337 economy if they do not have the support of their constituents. Policymakers must
 338 answer to their constituents, and if constituents are hostile to the world economy,
 339 policymakers who ignore this hostility will cease to be making policy.

340 The stability of the classical gold-standard era in the nineteenth century and early
 341 twentieth century was due in part to the fact that the major member states gave few

¹²Eichengreen (1992) is the classic account.

342 political rights, and little political power, to the middle and working classes and
343 poor farmers. The failures of the interwar period were largely due to the inability of
344 political leaders to sustain classical policies in newly democratic nations. Indeed, by
345 the 1920s, almost every industrial country was democratic, and attempts to subject
346 these political economies to gold-standard austerity measures led to a powerful
347 backlash—both against the government, and often against the rest of the world.

348 The post-World War Two international economic order, planned in broad outlines
349 at Bretton Woods, attempted to find a middle ground between classical gold-standard
350 stability and interwar confusion, while allowing room for more flexible national
351 macroeconomic and social policies. Trade was liberalized, but gradually and with
352 exceptions and escape clauses where liberalization would have been politically diffi-
353 cult. Exchange rates were stabilized but capital controls limited the degree of finan-
354 cial integration. Social safety nets and the welfare state were accepted as part of
355 the post-war compromise (Lamoreaux and Shapiro 2019). This system worked well
356 for 25 years. However, economic integration eventually caught up with some of the
357 contradictions in the Bretton Woods order, symbolized by the extent to which the
358 gradual rebirth of international finance undermined the Bretton Woods monetary
359 system.

360 The march toward globalization started in earnest in the early 1980s, as the Reagan
361 and Thatcher administrations led the developed countries toward greater engagement
362 with global markets. Over the late 1980s and early 1990s, many developing countries
363 jettisoned their previous economic nationalism. When the Soviet Union collapsed
364 and it, and most of its former allies, embraced economic integration—as China and
365 Vietnam had done long before—it seemed that globalization had triumphed for good.

366 However, the second age of globalization faced problems parallel to those of the
367 first: international economic forces increasingly bumped up against domestic political
368 pressures. As we have seen, the crisis of 2007–2009 and its aftermath brought these
369 tensions to the fore, as political movements rejected past patterns of economic and
370 political integration—and, in some cases, took power on anti-integrationist platforms.
371 It remains to be seen whether this reflects the end of the second era of globalization,
372 or merely a pause in its onward march.

373 5 Ways Forward

374 The future of global cooperation, let alone global governance, is in doubt. The prin-
375 cipal doubts are about the extent of domestic political opposition to the measures
376 necessary to secure cooperative international economic and political relations. The
377 roots of this opposition are broad and deep, and they cannot be wished or persuaded
378 away. Progress in addressing global problems depends on progress in addressing
379 the *domestic* problems that underlie the current upsurge of pessimism about, and
380 hostility to, globalization.

381 A first step in this direction requires *recognizing* the legitimacy of many of the
382 concerns that populist nationalists have seized upon. Major regions of our economies,

383 and major segments of our population, have faced and continue to face serious
 384 economic difficulties. What started with the decline of manufacturing industries
 385 in these areas typically has led to broader economic distress, and eventually to grim
 386 social problems (Feler and Senses 2017). In the USA, social mobility has declined to
 387 alarmingly low levels, especially in the distressed regions (Chetty et al. 2014). Inter-
 388 regional mobility has also fallen dramatically, largely due to rapidly rising housing
 389 prices in prosperous areas, which makes it difficult or impossible for people to move
 390 from areas where good jobs are scarce to areas with more opportunities (Ganong and
 391 Shoag 2017).

392 Both short-term and long-term measures are needed to address the problems
 393 of those left out of globalization's prosperity. In the short run, troubled regions
 394 need help in pulling themselves out of what is often a downward spiral. Central
 395 governments need to consider "place-based policies" that can address immediate
 396 problems effectively (Shambaugh and Ryan 2018). In the longer run, more structural
 397 policies to address regional differences will be important, especially those aimed at
 398 improving the economic and social infrastructure, and the educational institutions,
 399 in regions that have been struggling.

400 The contours of effective short- and long-term policies are not necessarily clear.
 401 Regions differ, as do countries, and what works in one may not work in another.
 402 Nonetheless, if the needs of troubled regions, sectors, and people are not addressed,
 403 we can reliably expect a continuation and deepening of the current skepticism about
 404 international economic and political integration. Those with the most at stake in
 405 globalization need to find ways to address the valid concerns of those who regard it
 406 with skepticism and fear.

407 Theory and history demonstrate that an open international economy requires
 408 cooperation among the major economic centers. That cooperation in turn requires
 409 domestic political support for the measures necessary to help keep the world economy
 410 functioning smoothly. Support for globalization and integration has eroded contin-
 411 ually over the course of the twenty-first century. A reversal of this erosion depends
 412 on the willingness and ability of supporters of international economic and political
 413 integration to demonstrate to their compatriots, with deeds rather than words, that its
 414 benefits can be distributed much more broadly than they have been to date.

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