

# Hegemony and inequality:

## Trump and the liberal playbook

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Since the end of the Second World War, the United States has served as leader of the 'free' world, providing security guarantees and promoting open economic exchange and individual freedoms in a rules-based system. The election in late 2016 of Donald J. Trump as US president raised justifiable and widespread fear for the survival of the liberal international order (LIO). Not since the 1970s, when academics expressed alarm that US decline would result in a more disorderly international system, has the expert community been so pessimistic about the durability of the postwar order.

President Trump promises to 'make America great again' by playing hardball with allies, overturning the LIO if necessary. On the international stage, the principle of 'America first' is aimed at preventing the United States from incurring losses through cooperation in the form of higher security bills, lower commercial benefits and greater monetary burdens. To 'make America great again', the United States must 'win, win, win', negotiating more aggressively with other nations, threatening to leave international agreements and alliances if necessary.<sup>1</sup> Trump is not alone in his criticism of the LIO. Academics have worried about America's outsized global commitments since the 1980s.<sup>2</sup> Even before the Trump administration began complaining about freeloading allies and unfair traders, proponents of a grand strategy of restraint lamented the costs of 'liberal hegemony', also known as 'deep engagement'.<sup>3</sup> US support for the LIO in the form of liberal hegemony and deep engagement has aimed to promote the twin goals of security

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<sup>1</sup> Donald J. Trump, "'We're gonna win, win, win': Donald Trump takes key primary states video", *Guardian*, 17 March 2016, <https://www.theguardian.com/us-news/video/2016/mar/15/donald-trump-wins-primary-florida-video>.

<sup>2</sup> David P. Calleo, *The imperious economy* (Cambridge, MA: Harvard University Press, 1982); Paul Kennedy, *The rise and fall of the Great Powers: economic change and military conflict from 1500 to 2000* (New York: Random House, 1987).

<sup>3</sup> Stephen M. Walt, 'The end of the American era', *The National Interest*, no. 116, 2011, pp. 6–16; Christopher Layne, 'This time it's real: the end of unipolarity and the Pax Americana', *International Studies Quarterly* 56: 1, pp. 203–13.

and prosperity by building security alliances and an economic order rooted in strong institutions and liberal values.<sup>4</sup>

In this article, I argue that the challenge confronting the United States today is not an international redistribution problem but a domestic redistribution problem, which ‘America first’ will only make worse. *Internationally*, ‘America first’ is premised on zero-sum logic that cannot ‘make America great again’. In fact, it will do the reverse by putting all countries last, thus shrinking the size of the available gains to create more severe distributive pressures. *Domestically*, ‘white America first’ promises to restore lost greatness to whites, thus aggravating economic and political inequality in the United States.

I provide comprehensive evidence that the United States has benefited tremendously from the LIO, and show how critics understate both those benefits and the risks of selective disengagement. I also argue, however, that the gains have been unevenly distributed within the United States. The unequal distribution of gains from international economic exchange is a recognized problem in the theoretical literature advocating a liberal economic order.<sup>5</sup> Globalization can create an enduring division between winners and losers unless investments are made in education and health, so that new generations can compete, and unless labour market adjustment programmes facilitate workers’ transition from declining to expanding industries. Redistributive policies, including access to post-secondary education, are necessary to ensure that more Americans partake in the gains from international involvement and to shore up the domestic foundations of the LIO.

In exploring how economic and political inequality within the United States has impinged on its ability to assert hegemonic leadership, I argue that an ‘us vs them’ sentiment, internationally *vis-à-vis* other countries, and domestically *vis-à-vis* non-white ethnic groups, was the primary force behind Trump’s electoral triumph. While previous presidents have more or less recommitted the United States to an internationalist foreign policy in the face of rising inequality, Trump detected festering economic and political wounds within the United States. The announcement of an intention to ‘make America great again’ resonated strongly with citizens of a Great Power who hardly felt economically privileged in relation to the rest of the world, and with white non-college-educated voters who were told they benefited from ‘white privilege’ while experiencing economic hardship and political alienation. Thus, contrary to Stiglitz, for example, who sees income inequalities in ‘white America’ as the main threat to the LIO—but does not problematize why white voters voted differently from other Americans in the

<sup>4</sup> Joseph S. Nye, ‘The case for deep engagement’, *Foreign Affairs* 74: 4, 1995, pp. 90–102; Daniel Deudney and G. John Ikenberry, ‘The nature and sources of liberal international order’, *Review of International Studies* 25: 2, 1999, pp. 179–96; Carla Norrlof, *America’s global advantage: US hegemony and international cooperation* (Cambridge: Cambridge University Press, 2010); Stephen G. Brooks and William C. Wohlforth, *America abroad: the United States’ global role in the 21st century* (Oxford: Oxford University Press, 2016).

<sup>5</sup> Cf. Bertil Ohlin, *Interregional and international trade* (Cambridge, MA: Harvard University Press, 1933); Wolfgang Stolper and Paul Samuelson, ‘Protection and real wages’, *Review of Economic Studies* 9: 0, 1941; Eli Heckscher, ‘The effect of foreign trade on the distribution of income’, in *Readings in the theory of international trade* (London: Allen & Unwin, 1950); Barbara Stallings, ‘The globalization of capital flows: who benefits?’, *Annals of the American Academy of Political and Social Science*, 610, 2007, pp. 202–16; Ayhan M. Kose, Eswar Prasad, Kenneth Rogoff and Shang-Jin Wei, ‘Financial globalization: a reappraisal’, *IMF Staff Papers* 56: 1, 2009, pp. 8–62.

same income bracket—I see political inequalities, particularly the appeal of ‘white America first’ among the white non-college-educated electorate, as a major threat to the LIO.<sup>6</sup>

The article is structured as follows. First I present the criticism of the LIO embodied in the ‘America first’ agenda as expressed on the campaign trail and in Trump’s inaugural promises. Second, I draw on International Relations (IR) theory to better understand both criticisms of the LIO and the rise of Trumpism. Third, I propose an alternative reading of the challenges the LIO confronts in both its international and its domestic foundations, as well as the relationship between the two. The final section offers concluding thoughts.

## **What’s wrong with the LIO? Trump’s campaign and inaugural promises**

President Trump’s campaign and inaugural speech promised an ambitious redistributive programme, vowing to rebalance global wealth and power. Like populists in other advanced countries, Trump argues for a fundamental revision of the international order, proposing a recasting of the prevailing principles to foster a global system tailored to US interests. The *leitmotiv* for this new order is ‘America first’. The term has historical origins in an isolationist movement protesting America’s involvement in the Second World War. President Trump’s version of ‘America first’ was clarified in the policies he first proposed during the 2016 campaign and then reiterated in his January 2017 inaugural speech and at the Conservative Political Action Conference (CPAC) the following month.<sup>7</sup> This programme targets three theatres of the LIO: security, trade and money. I will discuss each in turn, demonstrating the connection between Trump’s proposed policies and the logic of free-riding allies and unfair burden-sharing.

### *The security plank*

In a bid to open up a new era, the Trump administration has sought to reorientate US grand strategy by advocating policies which repudiate the LIO. On the campaign trail, Trump insisted that America’s allies in NATO and similar alliances pay their ‘fair share’ of the world’s national security expenses. In a *New York Times* interview, he stated that if allies failed to adequately share in the defence burden he would tell them: ‘Congratulations, you will be defending yourself.’<sup>8</sup> Trump’s stance on US security provision is not new. Asked by Larry King in an interview 30 years ago: ‘We are kind of the world’s keeper, are we not?’, Trump responded:

I don’t believe we should be. I think Japan should certainly make a contribution ... one of the reasons they’re so successful is they don’t have to worry about defense. Because why should they worry about defense when the United States will do it for nothing. I mean it’s crazy.<sup>9</sup>

<sup>6</sup> Joseph E. Stiglitz, ‘The age of Trump’, *Project Syndicate*, 10 Jan. 2017.

<sup>7</sup> Donald J. Trump, ‘Transcript: President Trump’s CPAC speech’, *Vox*, 24 Feb. 2017.

<sup>8</sup> ‘Transcript: Donald Trump on NATO, Turkey’s coup attempt and the world’, *New York Times*, 21 July 2016.

<sup>9</sup> Donald Trump: “I don’t want to be president”: entire 1987 CNN interview’, in *Larry King Live*, CNN, 2 September, 1987.

Trump's position on this point has in fact remained remarkably consistent since the late 1980s. In his inaugural address, he said the United States has 'subsidized the armies of other countries while allowing for the very sad depletion of our military. We've defended other nations' borders while refusing to defend our own.'<sup>10</sup> And in his February address to Congress, he said: 'We expect our partners—whether in NATO, the Middle East, or in the Pacific—to take a direct and meaningful role in both strategic and military operations, and pay their fair share of the cost.'<sup>11</sup> Even Secretary of Defense General James Mattis, who generally favours alliances, said: 'America will meet its responsibilities, but if your nations do not want to see America moderate its commitment to this alliance, each of your capitals needs to show support for our common defence.'<sup>12</sup> And after German Chancellor Angela Merkel's visit to the White House, Trump tweeted: 'I had a GREAT meeting ... Nevertheless, Germany owes ... vast sums of money to NATO & the United States must be paid more for the powerful, and very expensive, defense it provides to Germany!'<sup>13</sup> After a meeting with NATO's Secretary-General, Jens Stoltenberg, Trump partially retreated from his previous comments about NATO being 'obsolete', citing the organization's commitment to fight terrorism and the Secretary-General's efforts to increase allied burden-sharing as reasons for this shift.<sup>14</sup> By either abandoning or neglecting commitments, or seeking to put pressure on allies to deliver better deals, the Trump administration hopes to staunch what the President sees as a security-driven financial haemorrhage that has transferred wealth from the United States to other countries. But US security alliances are not a drain on the public purse or some optional add-on to the liberal order; they are its very foundation. Never before in postwar history has a US president voiced such a fundamental break with the organizing principle of US security provision, replacing the understanding of the United States as 'leader of the free world' with appeals to the *white man's burden* to 'unite the civilized world'.<sup>15</sup>

### *The trade plank*

Concerns about other countries gaining disproportionately from international cooperation are not confined to security relations but extend to economic relations. President Trump has opposed the multilateral economic bargains of the postwar era, and has been an especially fierce opponent of the international trade order.

For many decades, we've enriched foreign industry at the expense of American industry ... The wealth of our middle class has been ripped from their homes and then redistributed across the entire world ... We must protect our borders from the ravages of other countries making our products, stealing our companies and destroying our jobs. Protection will lead to great prosperity and strength.<sup>16</sup>

<sup>10</sup> Donald J. Trump, inaugural address, Washington DC, 2017, <https://www.whitehouse.gov/inaugural-address>.

<sup>11</sup> 'Remarks by President Trump in joint address to Congress', Washington, DC, 28 Feb. 2017.

<sup>12</sup> Jonathan Marcus, 'Trump defence chief Mattis threatens less commitment to NATO', BBC, 15 Feb. 2017.

<sup>13</sup> Ken Thomas and Jill Colvin, 'Trump says US "must be paid more" to defend Germany', *Washington Post*, 18 March 2017.

<sup>14</sup> NATO, joint press conference, Brussels, 12 April 2017.

<sup>15</sup> Trump, inaugural address.

<sup>16</sup> Trump, inaugural address.

In reality it is automation, not trade, that accounts for the overwhelming proportion of US job losses in the manufacturing sector.<sup>17</sup> That said, automation has not diminished US employment more than trade has in all bilateral relationships. US job losses as a result of imports from China between 1999 and 2013 are estimated by economists at between 2 million and 2.4 million.<sup>18</sup> Thus, President Trump has correctly identified Chinese imports as a source of declining US employment. But imposing punitive tariffs on China is not the appropriate policy response. For one thing, US exports to China, though significantly smaller than US imports from China, still contribute to US job growth. Second, unless measures taken by the US administration are consistent with WTO rules, imposing tariffs on China could spark retaliation and a mutually harmful ‘tariff war’ with lasting economic damage. Third, any effort to reduce trade with China must weigh the benefit of protecting American workers (around 2 million laid off so far) against the cost of denying American citizens (around 300 million) savings from cheaper Chinese imports. If the aim is to alleviate the plight of low-earning Americans, who spend a higher proportion of their income on imports than their wealthier compatriots, and who therefore are the largest beneficiaries of trade, these different considerations must be balanced very carefully.<sup>19</sup>

Trump has already made good on his promise to upend trade agreements. He has withdrawn the United States from the twelve-nation Trans-Pacific Partnership (TPP);<sup>20</sup> and, striking at the very fabric of the free trade system, he has threatened to renegotiate NAFTA and possibly to withdraw from the regional agreement altogether. He has also proposed to impose 45 per cent tariffs on Mexico and China—in violation of WTO rules—and the Office of the United States Trade Representative (USTR) has sought to depart from WTO dispute settlement procedures.<sup>21</sup>

The Trump administration has also raised the spectre of replacing multilateral and regional trade agreements with bilateral agreements.

We’re going to make trade deals, but we’re going to do one-on-one ... and if they misbehave, we terminate the deal. And then they’ll come back and we’ll make a better deal. None of these big quagmire deals that are a disaster.<sup>22</sup>

Prioritizing bilateralism contradicts the prevailing wisdom in trade. Economists generally regard multilateralism as preferable to regionalism and bilateralism.<sup>23</sup> That is because preferential trade agreements (PTAs) create an unruly system with overlapping, often contradictory, agreements in a ‘spaghetti bowl’

<sup>17</sup> Michael J. Hicks and Srikant Devaraj, *The myth and the reality of manufacturing in America* (Indianapolis: Conexus Indiana, 2015).

<sup>18</sup> Daron Acemoglu, David H. Autor, David Dorn, Gordon H. Hanson and Brendan Price, ‘Import competition and the great US employment sag of the 2000s’, *Journal of Labor Economics* 34: 1, 2016, S141–S98.

<sup>19</sup> Pablo D. Fajgelbaum and Amit K. Khandelwal, ‘Measuring the unequal gains from trade’, *Quarterly Journal of Economics* 131: 3, 2016, pp. 1113–80.

<sup>20</sup> Donald J. Trump, ‘A message from President-elect Donald J. Trump’, *Transition 2017* (Washington DC, 2016).

<sup>21</sup> USTR, *The President’s trade policy agenda* (Washington DC, 2017).

<sup>22</sup> Trump, ‘CPAC speech’.

<sup>23</sup> Jagdish N. Bhagwati, *Termites in the trading system: how preferential agreements undermine free trade* (New York: Oxford University Press, 2008).

mess.<sup>24</sup> Though PTAs need not reduce global welfare, they risk damaging it both directly and indirectly by undermining support for multilateral trade institutions.<sup>25</sup> Even economists sympathetic to PTAs ask how they can be streamlined with a multilateral approach rather than suggesting they should replace international agreements.<sup>26</sup> Bilateral deals are also politically less efficient to negotiate than regional or multilateral deals, since they cover fewer countries and issues, and have to be ratified one by one in Congress.

The USTR has started to put Trump's protectionist inclinations into concrete form via an 'America first trade policy'.<sup>27</sup> According to the USTR's 2017 report,

it is time for a new trade policy that defends American sovereignty, enforces US trade laws, uses American leverage to open markets abroad, and negotiates new trade agreements that are fairer and more effective both for the United States and for the world trading system.<sup>28</sup>

According to the USTR, 'section 301 can be a powerful lever to encourage foreign countries to adopt more market-friendly policies'.<sup>29</sup> Allegations of unfair trading practices tend to surface as US trade deficits deepen. These types of complaint also figured prominently in the 1980s when the United States was grappling with serial trade deficits. The US President has far-reaching executive authority to retaliate against 'unjustifiable, unreasonable, or discriminatory' foreign trade practices outside the GATT/WTO framework through a set of legal instruments.<sup>30</sup> Section 301 of the 1974 Trade Act allows American firms to petition the USTR in order to remove trade barriers in foreign markets. Special 301 extends the provisions of section 301 to intellectual property rights.<sup>31</sup> Super 301 identifies a hit-list of priority countries for section 301 actions. However, using these measures without prior permission from the dispute settlement body violates WTO law.

In the event of serious injury to the United States through trade, the President has a variety of options, such as imposing tariffs under section 201. In defending its 'America first trade policy', the USTR argues that President George W. Bush used safeguard action under section 201 to curtail the increase in steel imports in 2002, and that such action 'can be a vital tool for industries needing temporary relief from imports to become more competitive'.<sup>32</sup> However, in response to President Bush's use of section 201, the WTO authorized the EU to retaliate and the US withdrew the tariff. Both section 201 and section 301 have been unpopular internationally. One of the main purposes of the 1995 WTO 'Understanding on

<sup>24</sup> Bhagwati, *Termites in the trading system*.

<sup>25</sup> Paul R. Krugman, *Is bilateralism bad?* (Cambridge, MA: National Bureau of Economic Research [NBER], 1989), and 'The move toward free trade zones', *Economic Review* 76: 6, Nov.–Dec. 1991, pp. 5–25; Jagdish N. Bhagwati, *The world trading system at risk* (Princeton: Princeton University Press, 1991); Fred C. Bergsten, 'Commentary: the move toward free trade zones', *Economic Review* 76: 6, Nov. 1991, pp. 27–35.

<sup>26</sup> Richard Baldwin, *Big-think regionalism: a critical survey* (Cambridge, MA: NBER, 14056).

<sup>27</sup> USTR, *America first trade policy* (Washington DC, 2017).

<sup>28</sup> USTR, *The President's trade policy agenda*.

<sup>29</sup> USTR, *The President's trade policy agenda*.

<sup>30</sup> Thomas O. Bayard and Kimberly Ann Elliott, *Reciprocity and retaliation in US trade policy* (Washington DC: Institute for International Economics, 1993).

<sup>31</sup> Klaus Stegemann, 'The integration of intellectual property rights into the WTO system', *World Economy* 23: 9, 2000, pp. 1237–67.

<sup>32</sup> USTR, *The President's trade policy agenda*.

rules and procedures governing the settlement of disputes' was to reform dispute settlement procedures so as to reduce section 301 litigation. Making panel rulings binding aimed to replace US unilateral enforcement with WTO enforcement.

Prioritizing 'fair trade' litigation through US trade statutes, even though the WTO now has strong enforcement powers, suggests that the 'America first trade policy' is more about rigging the playing field than levelling it. And if the President authorizes section 201 tariffs without sufficient evidence of serious domestic injury (as President Bush did), the United States risks setting off mutually destructive tariff wars.

### *The money plank*

President Trump's extremely controversial positions on the international monetary order have gone largely unnoticed. While his complaints about unfair trade advantages arising from currency manipulation have been registered, he also has strong views on the dollar's global role.

As regards currency rigging, the President is right in that both China and Japan have formerly intervened in currency markets to reduce the dollar price of their currencies.<sup>33</sup> But at present, Chinese authorities are struggling to prevent depreciation of the renminbi as a result of capital outflows caused by instability in Chinese financial markets. Recently, Trump changed his mind about China, saying: 'They're not currency manipulators.'<sup>34</sup> Moreover, currency manipulation does not necessarily translate into commercial competitiveness.<sup>35</sup> Japan's efforts to increase competitiveness via currency manipulation in the twenty-first century were largely unsuccessful. Today, the Japanese government claims its interventions are designed not to improve the country's trade balance but to combat deflation.

However, the most contentious monetary policy advocated by the President has largely failed to register on the radar screen. His proposed return to the gold standard would be a truly astonishing break with US monetary policy. On the Richter scale for the world economy, it would be equivalent to the 1971 'Nixon shock' when the United States unilaterally suspended convertibility of dollars into gold, destroying the Bretton Woods fixed exchange rate system. 'Bringing back the gold standard would be very hard to do, but boy, would it be wonderful. We'd have a standard on which to base our money.'<sup>36</sup> His economic advisers, most notably Dr Judith Sheldon, have advocated a return to the Bretton Woods system of fixed exchange rates with dollars convertible into gold.<sup>37</sup>

<sup>33</sup> David A. Steinberg, 'Developmental states and undervalued exchange rates in the developing world', *Review of International Political Economy* 23: 3, 2016, pp. 418–49.

<sup>34</sup> Gerard Baker, Carol E. Lee and Michael C. Bender, 'Trump says dollar "getting too strong," won't label China a currency manipulator', *Wall Street Journal*, 12 April 2017.

<sup>35</sup> Robert W. Staiger and Alan O. Sykes, *Currency manipulation and world trade* (Cambridge, MA: NBER, 2008); Paul Bowles and Baotai Wang, 'The rocky road ahead: China, the US and the future of the dollar', *Review of International Political Economy* 15: 3, 2008, pp. 335–53; Manuela Moschella, 'Currency wars in the advanced world: resisting appreciation at a time of change in central banking monetary consensus', *Review of International Political Economy* 22: 1, 2015, pp. 134–61.

<sup>36</sup> 'Donald Trump weighs in on marijuana, Hillary Clinton, and man buns', *GQ*, 23 Nov. 2015.

<sup>37</sup> Chris Matthews, 'This Trump economic advisor wants America to go back to the gold standard', *Fortune*, 18 Aug. 2016.

The President's speech to the CPAC in late February 2017 suggested unfamiliarity with the dollar's global status, let alone its perks. The President said the dollar was not the global currency and apparently thought that was a good thing.

Global cooperation—dealing with other countries, getting along with other countries—is good. It's very important. But there is no such thing as a global anthem, a global currency, or a global flag. This is the United States of America that I'm representing. I'm not representing the globe. I'm representing your country.<sup>38</sup>

Despite the voluminous literature on the topic, the President is seemingly unaware both that the dollar *is* the global currency and that significant benefits are associated with being the issuer of the world's primary monetary vehicle.<sup>39</sup>

### What's wrong with the LIO? Making sense of Trumpism

It remains an open question whether the Trump administration will follow through on the political platform on which the 2016 presidential election was fought. Trump's choice of the 'America first' slogan to describe his set of policies created expectations of a non-interventionist security policy combined with economic nationalism. But in key areas, Trump's security policy to date is consistent with President Obama's more restrained foreign policy approach. Like Obama, Trump has so far stayed clear of full-scale interventions, favouring air power, especially the use of drones and special forces. Like Obama, he opposes the 'Washington playbook'—the knee-jerk reaction to adopt militarized responses to international problems—and perhaps for the same reasons as Obama: 'Where America is directly threatened, the playbook works. But the playbook can also be a trap that can lead to bad decisions.'<sup>40</sup>

From the viewpoint of November 2017, it is fair to say that a truly isolationist policy has not yet emerged. But it is easy to underestimate the geopolitical significance of the shifting political currents in the United States and Europe to which Trump's evolving grand strategy is a response.<sup>41</sup>

Across the three areas surveyed in the preceding section, Trump sees serious disadvantages with America's position at the top of the LIO. For him, the United States' current role in the international system entails larger constraints than opportunities: the country is asked to take on special responsibilities for which it is not adequately compensated, leaving itself vulnerable to exploitation. In his view, the United States should prioritize self-regarding objectives rather than other-regarding objectives, giving precedence to protecting its citizens from outside threats and raising American standards of living.

<sup>38</sup> Trump, 'CPAC speech'.

<sup>39</sup> See e.g. Barry Eichengreen, *Exorbitant privilege* (Oxford: Oxford University Press, 2011).

<sup>40</sup> Jeffrey Goldberg, 'The Obama Doctrine: the US President talks through his hardest decisions about America's role in the world', *The Atlantic*, April 2016.

<sup>41</sup> Cf. Peter Dombrowski and Simon Reich, 'Does Donald Trump have a grand strategy?', *International Affairs* 93: 5, September 2017, pp. 1013–37.



## *Trump and IR theory*

Two bodies of IR theory speak to Trump's proposed grand strategy. The first is the 'exploited benevolent hegemon' version of hegemonic stability theory (HST). According to this, the United States provides public goods from which everyone benefits but no one can be excluded, resulting in systemic free-riding, leaving the United States to shoulder disproportionate costs while others reap only benefits.<sup>42</sup> The United States effectively agrees to this unequal bargain because of its overwhelming interest in seeing the goods provided.<sup>43</sup> Over the long term, this dynamic weakens the hegemon politically and economically, helping other countries to rise and leading to its own relative decline.

The second relevant theoretical approach is grounded in Waltzian realism. According to this approach, states should pursue their national interest defined narrowly, responding to threats that affect them directly. The doctrine of restraint, also called selective engagement, sees the maintenance of long-term hegemony as exceedingly costly and futile, breeding resentment and requiring rivals to be defeated and outcompeted in a continuous effort to thwart attempts at balancing. Balancing occurs when states seek to reduce the military power of exceptionally dominant states. The tendency for states to balance power is a hard systemic law, which no state can escape, and which guarantees that a unipolar distribution of power will eventually become bipolar or multipolar. Academic advocates of selective engagement approve of Trump's call for a more restrained foreign policy while distancing themselves from his other ideas.<sup>44</sup> They believe America's postwar grand strategy spills too much blood and treasure and carries high opportunity costs,<sup>45</sup> and that the United States should instead pursue a strategy of offshore balancing, refocusing policies around a narrow definition of the national interest limited to preserving regional hegemony in the western hemisphere and preventing the rise of regional hegemons.<sup>46</sup> They consider US security interests to be at stake in three areas—Europe, east Asia and the Persian Gulf—with only east Asia requiring significant onshore engagement.<sup>47</sup> Broadly agreeing with Trump, they say allies have to learn how to fend for themselves, and

<sup>42</sup> Charles P. Kindleberger, *The world in depression 1929–1939* (Berkeley: University of California Press, 1973); Norman Frohlich and Joe A. Oppenheimer, 'I get by with a little help from my friends', *World Politics* 23: 1, 1970, pp. 104–20; Mancur Olson, *The logic of collective action* (Cambridge, MA: Harvard University Press, 1965).

<sup>43</sup> Duncan Snidal, 'The limits of hegemonic stability theory', *International Organization* 39: 4, 1985, pp. 580–614; Robert Pahre, *Leading questions* (Ann Arbor: University of Michigan Press, 1999).

<sup>44</sup> Stephen M. Walt, 'Donald Trump: keep your hands off the foreign-policy ideas I believe in', *Foreign Policy*, 8 Aug. 2016, <http://foreignpolicy.com/2016/08/08/donald-trump-keep-your-hands-off-the-foreign-policy-ideas-i-believe-in-nation-building-united-states/>; John J. Mearsheimer, 'Donald Trump should embrace a realist foreign policy', *The National Interest*, 27 Nov. 2016, <http://nationalinterest.org/feature/donald-trump-should-embrace-realist-foreign-policy-18502>.

<sup>45</sup> Barry R. Posen, 'The case for restraint', *The American Interest* 3: 1, 2007, pp. 7–32, and *Restraint: a new foundation for US grand strategy* (Ithaca, NY: Cornell University Press, 2014); Walt, 'The end of the American era'; Christopher Layne, 'The unipolar illusion revisited: the coming end of the United States' unipolar moment', *International Security* 31: 2, 2006, pp. 7–41.

<sup>46</sup> Mearsheimer, 'Donald Trump should embrace a realist foreign policy'; John J. Mearsheimer and Stephen M. Walt, 'The case for offshore balancing: a superior US grand strategy', *Foreign Affairs* 95: 4, 2016, pp. 70–83.

<sup>47</sup> Mearsheimer, 'Donald Trump should embrace a realist foreign policy'.

that the US should introduce uncertainty about forthcoming military support.<sup>48</sup> In order to improve the plight of fellow Americans, the United States should reorientate public policy around domestic goals, giving up some international goals. For proponents of these arguments, America's international commitments clash with its domestic commitments.

### *Three flawed assumptions*

Three features of the LIO emerge as problematic from these two perspectives. First, other countries free-ride on US political and economic leadership. Second, there are fundamental trade-offs between America's military and economic capability: US security commitments are responsible for US economic decline. Third, there are fundamental trade-offs between America's international and domestic posture. On the basis of this analysis, to promote America's national interest, the grand strategy supporting the LIO should be replaced with strategic restraint; the US should stop bearing a disproportionate share of the costs associated with solving global problems and let others take care of themselves, restricting US involvement to protecting vital security interests, defending the homeland and preventing the emergence of a regional hegemon.

However, the three assumptions underlying this analysis, and criticisms of the LIO, mischaracterize America's liberal dilemma. The first questionable assumption is that international cooperation resembles a public goods problem whereby the US, as the largest state, bears disproportionate costs while free-riding allies reap disproportionate benefits. Second, the negative repercussions of US security commitments for US economic strength are rarely balanced against the full benefits of US security commitments to the United States itself. Third, the assumption that there is an international-domestic trade-off and that whatever resources have been 'squandered' on international engagement can readily be diverted to the pursuit of productive, welfare-enhancing, domestic goals grossly understates both US benefits from the LIO and the risks attached to dismantling 'selected' parts of the LIO.<sup>49</sup>

When international cooperation is cast as a public goods dilemma, it is easy to come to the conclusion that the hegemon is in a disadvantageous position. But the public goods analogy does not adequately capture the essence of international cooperation, because few issues are characterized by the properties that define public goods—non-rivalry and non-exclusion.<sup>50</sup> Rather, the hegemon provides a mix of public and private goods, or imperfect public goods.<sup>51</sup> Despite these

<sup>48</sup> Mearsheimer and Walt, 'The case for offshore balancing'; Walt, 'Donald Trump: keep your hands off the foreign-policy ideas I believe in'.

<sup>49</sup> Carla Norrlof and William C. Wohlforth, 'Is US grand strategy self-defeating? Deep engagement, military spending and sovereign debt', *Conflict Management and Peace Science*, published online 2 Nov. 2016, <http://journals.sagepub.com/doi/abs/10.1177/0738894216674953>.

<sup>50</sup> Timothy McKeown, 'Hegemonic stability theory and 19th century tariff levels in Europe', *International Organization* 37: 1, 1983, pp. 73–91; John A. C. Conybeare, 'Public goods, prisoners' dilemmas and the international political economy', *International Studies Quarterly* 28: 1, 1984, pp. 5–22; Snidal, 'The limits of hegemonic stability theory'.

<sup>51</sup> Bruce Russett, 'The mysterious case of vanishing hegemony: or, is Mark Twain really dead?', *International Organization* 39: 2, 1985, pp. 207–231; Conybeare, 'Public goods, prisoners' dilemmas and the international

recognized flaws, and much scholarship to the contrary, the public goods version of HST remains influential.

Rejecting the 'exploited hegemon' version of HST, several scholars point to the ways in which the hegemon is positionally primed to benefit disproportionately from underwriting the LIO.<sup>52</sup> They argue that public goods provision offers more opportunities than constraints, and, while they recognize that free-riding is a possible threat to the hegemon's long-term rule,<sup>53</sup> they emphasize the ways in which the hegemon can use its dominance to internalize positive externalities and externalize negative externalities.<sup>54</sup> As long as the hegemon is not providing pure public goods, the distribution of gains will not necessarily favour other states. And as long as the distribution of gains does not favour other states, providing an open economy does not necessarily compromise the hegemon's security interests or its position of dominance.<sup>55</sup>

The founders of HST, Robert Gilpin and Stephen Krasner, believed that hegemonic orders were particularly robust during the hegemon's ascendancy, and therefore worried greatly about the future of US hegemony and the LIO as the US underwent relative decline in the 1970s and 1980s.

Contemporary scholars, on the other hand, emphasize the cyclical property of postwar hegemony, seeing the United States as capable of reversing phases of decline by using different levers of power to avoid absolute decline.<sup>56</sup> They see different forms of power interacting favourably for the hegemon, with financial dominance reinforcing commercial dominance, commercial dominance facilitating financial dominance, and security dominance boosting both commercial and financial dominance.<sup>57</sup>

Since the 1980s, IR scholars have tended to view the United States as militarily strong yet economically weak, a development hastened with the rise of China and other emerging economies in the third millennium.<sup>58</sup> But even today, after many rounds of decline (and ascent), the United States has no peer competitor either militarily or economically. Commercially robust but financially vulnerable, China

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political economy'; Snidal, 'The limits of hegemonic stability theory'; Richard Cornes and Todd Sandler, 'Easy riders, joint production, and public goods', *Economic Journal* 94: 375, 1984, pp. 580–98.

<sup>52</sup> Robert Gilpin, *US power and the multinational corporation* (New York: Basic Books, 1975); Stephen D. Krasner, 'State power and the structure of international trade', *World Politics* 28: 3, 1976, pp. 317–47; Robert Gilpin, *War and change in world politics* (Cambridge: Cambridge University Press, 1981); Norrlof, *America's global advantage*; Brooks and Wohlforth, *America abroad*; Michael Beckley, 'China's century? Why America's edge will endure', *International Security* 36: 3, 2011, pp. 41–78; G. John Ikenberry, *Liberal Leviathan: the origins, crisis, and transformation of the American world order* (Princeton: Princeton University Press, 2011).

<sup>53</sup> Gilpin, *War and change in world politics* and *The political economy of international relations* (Princeton: Princeton University Press, 1987).

<sup>54</sup> Gilpin, *War and change in world politics*, pp. 70–71.

<sup>55</sup> Michael C. Webb and Stephen D. Krasner, 'Hegemonic stability theory: an empirical assessment', *Review of International Studies* 15: 2, 1989, p. 184.

<sup>56</sup> Norrlof, *America's global advantage*.

<sup>57</sup> Norrlof, *America's global advantage*; Beckley, 'China's century?'; Stephen G. Brooks, John G. Ikenberry and William C. Wohlforth, 'Don't come home, America: the case against retrenchment', *International Security* 37: 3, 2013, pp. 7–51; Brooks and Wohlforth, *America abroad*.

<sup>58</sup> Calleo, *The imperious economy*; Kennedy, *The rise and fall of the Great Powers*; Walt, 'The end of the American era'; Paul K. MacDonald and Joseph M. Parent, 'Graceful decline? The surprising success of Great Power retrenchment', *International Security* 35: 4, 2011, pp. 7–44; Layne, 'This time it's real'; Jonathan Kirshner, *American power after the financial crisis* (Ithaca, NY: Cornell University Press, 2014).

ranks as the world's third largest military power after Russia and the United States. While Russia's military continues to be the US military's principal rival, it is not as potent as it was under the Soviet Union. And while Russia's economy is not as debilitated as it was under the Soviet Union, it continues to be frail. Japan and Germany, two of America's principal allies, are economically strong, but militarily weak.

As figures 1 and 2 reveal, the United States has sustained its economic lead throughout the postwar era, boasting the world's first economy with an unrivalled capacity for economic output, an impressive commercial record and an unsurpassed financial position. US economic performance is grossly underrated. First, as shown in figure 1, which displays US GDP, trade and company size, US GDP is still roughly a quarter of global GDP (just below the dotted 25 per cent line). Declinists take the considerable fall in America's postwar share of global GDP as a sign of weakness. But it is unrealistic to think that the United States would continue to command a third of global GDP as it did immediately after the Second World War—particularly since much of the observed decline was the result of deliberate efforts by the United States to bolster its allies in western Europe and east Asia through the Marshall Plan and other initiatives.<sup>59</sup> What is rather remarkable is that, even with the rise of non-allies such as China, America's share of world GDP has stabilized around a quarter and continues to be nearly twice as large as China's share. Second, as also shown in figure 1, US commercial capability aggregated into its combined share of world exports and imports—trade—is slightly higher than China's. But exports and imports are not the best way to measure commercial prowess, because the contemporary web of production globalizes manufacturing. Owing to global supply chains, imported final goods include intermediate inputs and technology produced and developed in the United States that do not show up as exports but nonetheless provide American jobs and income. And when exporting final goods, US firms depend on low trade barriers to import low-cost intermediate inputs. The United States' ability to spread production worldwide has been accompanied by long-term rising trends in numbers of foreign affiliates, value added and net income, generating significant profits for the United States.<sup>60</sup> As shown in figure 1, the aggregate value of US companies far exceeds that of any other country.

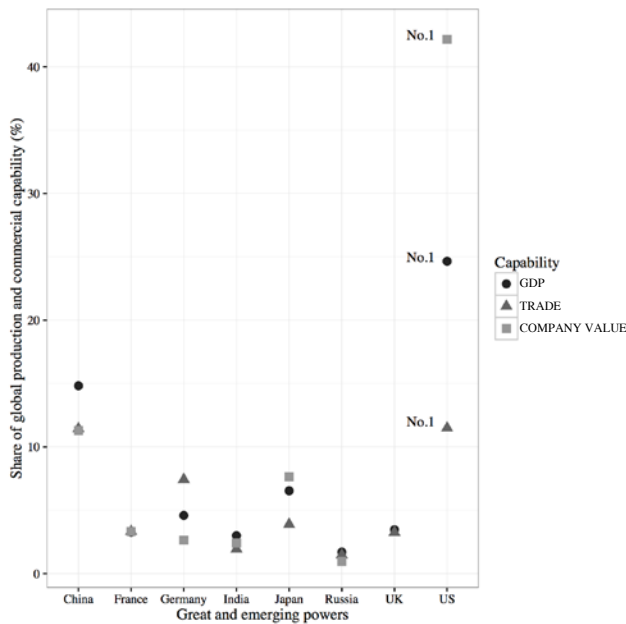
Third, few assessments compare the relative financial capabilities of Great Powers. Studies often favour narrow definitions of financial power over broader assessments. Some focus on the relative size of US financial markets, some on financial networks, some on reserve currency issuance, but few provide an aggregate picture.<sup>61</sup> These incomplete portrayals lead to gross underestimation of US financial

<sup>59</sup> See Joseph S. Nye, *Bound to lead: the changing nature of American power* (New York: Basic Books, 1990).

<sup>60</sup> See Joseph Quinlan and Marc Chandler, 'The US trade deficit: a dangerous obsession', *Foreign Affairs* 80: 3, 2001, pp. 87–97; Diana Farrell, *A new look at the US current account deficit: the role of multinational companies* (San Francisco: McKinsey Global Institute, 2004); Norrlof, *America's global advantage*, pp. 90–93.

<sup>61</sup> See Daniel W. Drezner, 'The system worked: global economic governance during the Great Recession', *World Politics* 66: 1, 2014, pp. 123–64; Thomas Oatley, Kindred W. Winecoff, Andrew Pennock and Sarah Bauerle Danzman, 'The political economy of global finance: a network model', *Perspectives on Politics* 11: 1, 2013, pp. 133–53; Carla Norrlof, 'Dollar hegemony: a power analysis', *Review of International Political Economy* 21: 5,

**Figure 1: Great Power production and commercial capability, 2016**



Note: Data on the size of UK companies are unavailable.

Source: Author's calculations, based on GFD, *Global financial data* (San Juan Capistrano, CA: Global Financial Data, 2017), and WTO Statistics Database, *Trade profiles* (Geneva: World Trade Organization, 2017).

power.<sup>62</sup> As shown in figure 2, US financial markets account for slightly more than a quarter of the global total, and US reserve currency provision far surpasses that of any other state or states, and that of the eurozone.

Fourth, as also demonstrated in figure 2, the United States is the world's most formidable military power, its capabilities far exceeding those of any other nation. Taking into account front-line capabilities on the ground, on the sea and in the air, as well as the capacity for reconnaissance, strategic transport and communication to project power, the United States has no rival.<sup>63</sup>

The United States' multidimensional power base clearly puts it in a class above rival powers. Yet its privileged position in the international system is even greater than what these snapshot barometers indicate, because significant synergies exist between the various dimensions.<sup>64</sup>

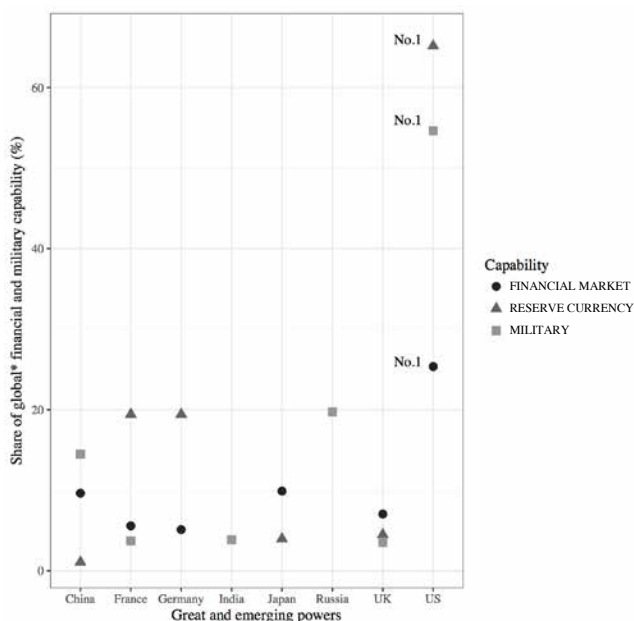
US security dominance supports US commercial and monetary dominance, and its commercial and monetary dominance are mutually supportive. First, by providing security guarantees, stabilizing hot-spots and securing sea lanes, the

2014, pp. 1042–70; Doug Stokes, 'Achilles' deal: dollar decline and US grand strategy after the crisis', *Review of International Political Economy* 21: 5, 2014, pp. 1071–94.

<sup>62</sup> Some even argue that we need to consider Anglo-American power in order to appreciate US financial power: see e.g. Jan Fichtner, 'Perpetual decline or persistent dominance? Uncovering Anglo-America's true structural power in global finance', *Review of International Studies* 43: 1, 2017, pp. 3–28.

<sup>63</sup> William C. Wohlforth, 'The stability of a unipolar world', *International Security* 24: 1, 1999, pp. 5–41.

<sup>64</sup> Norrlof, *America's global advantage*; Brooks and Wohlforth, *America abroad*.

**Figure 2: Great Power financial and military capability, 2016**

Note: Military capability is a function of manoeuvre, strategic and projection power as well as intelligence, surveillance, target acquisition and reconnaissance (ISTAR), latest data for 2013.

\*Financial and reserve currency capability relative to global capability; military capability relative to great power capability.

Source: Author's calculations, based on GFD, *Global financial data*; IMF, *Currency composition of official foreign exchange reserves* (Washington DC, 2017); International Institute for Strategic Studies, *The military balance* (London, 2017).

United States ensures that international trade and finance can occur without disruption. This is of great value to the United States itself because, as the world's single largest economy, it has a high stake in guaranteeing stable economic relations. Second, propping up the financial realm, America's vast security network provides incentives for allies to continue supporting the dollar's role as the number one global currency.<sup>65</sup> Third, the dollar's global role gives the United States the capacity to borrow at exceptionally low rates, providing it with extraordinary macroeconomic flexibility to ease balance of payments adjustments, particularly trade adjustments.<sup>66</sup> Fourth, America's commercial position bolsters the dollar's global role by facilitating trade adjustment as governments, particularly in emerging markets, continue to finance US deficits by holding dollar assets in the hope of gaining continued access to US markets.<sup>67</sup>

<sup>65</sup> Susan Strange, *Sterling and British policy: a political study of an international currency in decline* (London: Oxford University Press for Royal Institute of International Affairs, 1971); Quan Li, 'The effect of security alliances on exchange-rate regime choices', *International Interactions* 29: 2, 2003, pp. 159–93; Adam S. Posen, 'Why the euro will not rival the dollar', *International Finance* 11: 1, 2008, pp. 75–100.

<sup>66</sup> Benjamin J. Cohen, 'The macrofoundations of monetary power', in David M. Andrews, ed., *International monetary power* (Ithaca, NY: Cornell University Press, 2006); Norrlof, *America's global advantage*.

<sup>67</sup> Michael Dooley, David Folkerts-Landau and Peter Garber, *An essay on the revived Bretton Woods system* (Cambridge, MA: NBER, 2003); David H. Levey and Stuart S. Brown, 'The overstretch myth', *Foreign Affairs*

'America first' promises to touch all of these areas, overhauling longstanding US policies in the security, commercial and monetary spheres. But its real menace lies in its potential for sparking drastic changes by overturning policies in just one sphere. If the United States ceases to defend allies, and reduces its commitment to secure the international environment, cross-border trade and investment will operate in a more uncertain setting. While it is impossible to predict which policy is most likely to unleash an unfavourable chain of events, a hypothetical example can be used to illustrate the presumptive cascade. If we assume the United States follows through with significant commercial retreat, then we should expect monetary consequences. With the United States ceasing to account for a significant portion of international trade, official and private investors will increasingly hold alternative currencies for reserves and payment. If the diversification out of dollars is substantial, the dollar could gradually lose its centrality in the monetary order, complicating the adjustment of US trade imbalances. Balance of payments difficulties could very well ricochet back in the monetary sphere, with a crisis of confidence over trade imbalances triggering a run on the dollar. With the dollar under pressure, its international role for governments and private actors could come into question. If the dollar is no longer widely used for reserves and payments, US financial markets will lose importance relative to other financial markets. A diminished role for US financial markets implies lower demand for US assets, raising US borrowing costs. And the loss of US borrowing privileges will have security ramifications, since financing US military power will become more expensive.<sup>68</sup> With these developments, America's slippage in the ranks of Great Powers will be assured.

## The real liberal dilemma

President Trump misidentifies the nature of the redistribution problem confronting America, misinterpreting unequal internal redistribution as unequal external redistribution. The liberal dilemma is not that the LIO distributes gains unfavourably to the United States, but that not everyone in the United States wins because US domestic policies have not kept pace with global economic integration. Economic globalization can deepen domestic inequality. Import competition causes some sectors to shrink, and workers employed in contracting sectors may not be fully absorbed in expanding sectors. Neo-classical trade theory predicts that economic activity will increase in the sector using the country's abundant factor since its reward will increase relative to that of the scarce factor.<sup>69</sup> In the case of an advanced capital-abundant country such as the United States, this means that the reward to capital will increase relative to labour. Financial globalization has even more acute effects on the distribution of income, further raising the reward to capital relative

84: 2, 2005, pp. 2–7; Carla Norrlof, 'Strategic debt', *Canadian Journal of Political Science* 41: 2, 2008, pp. 411–35; Michael Mastanduno, 'System maker and privilege taker', *World Politics* 61: 1, 2009, pp. 121–54.

<sup>68</sup> Norrlof and Wohlforth, 'Is US grand strategy self-defeating?'.

<sup>69</sup> Ohlin, *Interregional and international trade*; Heckscher, 'The effect of foreign trade on the distribution of income'; Stolper and Samuelson, 'Protection and real wages'.

to labour.<sup>70</sup> However, since suspending international economic exchange reduces national welfare gains, countries are better off expanding the pie, and compensating losers with the higher gains available from economic globalization. The United States needs to bring back ‘embedded liberalism’ to redistribute benefits from openness through greater safeguards and labour adjustment programmes, including trade adjustment, so that the LIO can begin to work for all Americans.<sup>71</sup>

Dissatisfaction with the international distribution of income is, however, insufficient to explain the backlash against globalization. President Trump correctly identified the liberal dilemma inside the United States as the clash between liberal ideals and the preservation of a racial hierarchy which put ‘white America first’—a contradiction which has resulted in a racial and educational divide at the ballot box.<sup>72</sup> To fully understand waning American support for the LIO, one must look to the unravelling of America’s liberal identity as a principal cause of the less secure domestic foundations of the LIO. Some elements of America’s liberal identity, such as ‘political democracy, constitutional government, individual rights [and] private property based economic systems’, remain intact. However, other elements, such as ‘toleration of diversity in non-civic areas of ethnicity and religion’ are in jeopardy.<sup>73</sup> In fomenting an ‘us and them’ division between Americans and foreigners alleged to be exploiting the United States, and by stoking an internal division between Americans of different ethnicities and faiths, Trump unveiled an international and domestic hierarchy that some thought no longer existed. How did these factors intermingle with income inequality in the 2016 US elections?

### *The extent of inequality in the United States*

Income inequality in the United States has increased since the late 1960s. By 2015, the top 5 per cent earned 28 times as much, and the top 20 per cent 16 times as much, as the lowest 20 per cent of Americans. This share has risen over time irrespective of the incumbent president’s party affiliation, as shown in figure 3, which traces this development back to the late 1970s. Below I use mean income data from the US Census Bureau to discern the effect of income inequality on different ethnic groups. Ideally, this analysis would be performed using median income data, but this is not consistently available across all measures of interest.<sup>74</sup>

Concerns about income may have loomed large in the 2016 presidential elections. It could be, for instance, that by 2016 income inequality in the United States had reached a tipping point, a level that Americans were no longer prepared to tolerate.

<sup>70</sup> Stallings, ‘The globalization of capital flows’, Kose et al., ‘Financial globalization’.

<sup>71</sup> John Gerard Ruggie, ‘International regimes, transactions, and change: embedded liberalism in the postwar economic order’, *International Organization* 36: 2, 1982, pp. 379–415.

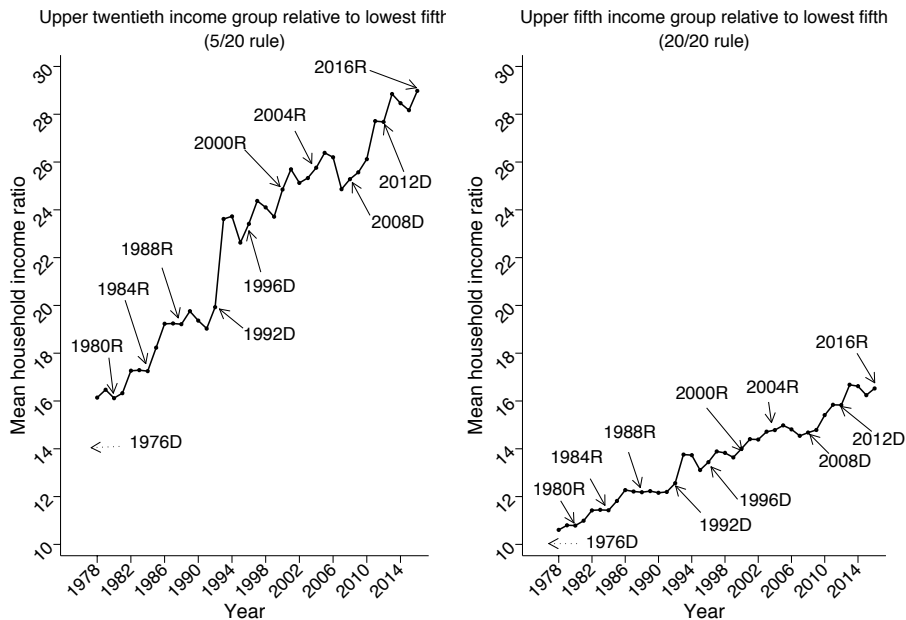
<sup>72</sup> See Gunnar Myrdal, *An American dilemma: the negro problem and modern democracy* (New York: Harper & Row, 1944), on which more below.

<sup>73</sup> On ‘western civic identity’, see Deudney and Ikenberry, ‘The nature and sources of liberal international order’, p. 193.

<sup>74</sup> In particular, it is possible that income is higher at the upper end of the distribution for whites than for the overall population, in which case we would see a larger difference between white mean income and white median income than between overall mean income and overall median income.



**Figure 3: Income inequality between the top and bottom income earners in the United States, 1978–2016**



Note: Years annotated with party of president-elect (R = Republican, D = Democrat).

Source: Author's calculations, based on household income data from US Census Bureau.

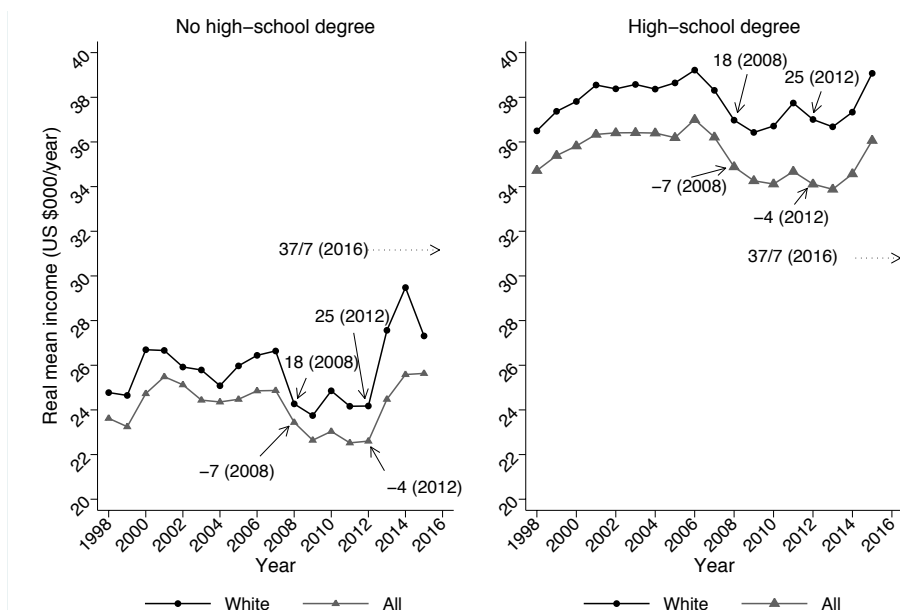
The only vote margin—that is, the difference in percentage of votes between Republicans and Democrats—that was consistently and substantially different from those in the 2008 and 2012 elections was the margin for those earning less than US\$50,000 a year. Although this group—arguably the most affected by the widening income gap—still supported the Democratic candidate overall (though to a lesser extent than in the two previous elections), the margin between the Democratic and Republican votes narrowed to 12 points from 22 points in 2008 and 2012. The margins for higher-income groups were not as wide, nor were they significantly different from the levels recorded in the 2008 and 2012 elections. In an anti-establishment election, factors other than income, such as Clinton's 'elitism', might have been a liability. But the unfavourable opinion of Clinton (81 per cent) was less strong among those who voted for Trump than disapproval of former President Obama (89 per cent).<sup>75</sup> It is, however, possible that dissatisfaction with Clinton was greater within the group earning under US\$50,000.

While income did matter in the 2016 election, it was not, on its own, the most important predictor of the outcome. As shown in figures 4 and 5, income did play a role, but primarily as it intersected with other factors, particularly education and colour.<sup>76</sup> In the following paragraphs I consider the income growth of

<sup>75</sup> 'Election 2016: exit polls', CNN, 2016, <http://www.cnn.com/election/results/exit-polls>.

<sup>76</sup> See also Alec Tyson and Shiva Maniam, *Behind Trump's victory: divisions by race, gender, education* (Washington DC: Pew Research Center, 2016).

**Figure 4: Income growth among US citizens with education below college degree level, 1998–2016**



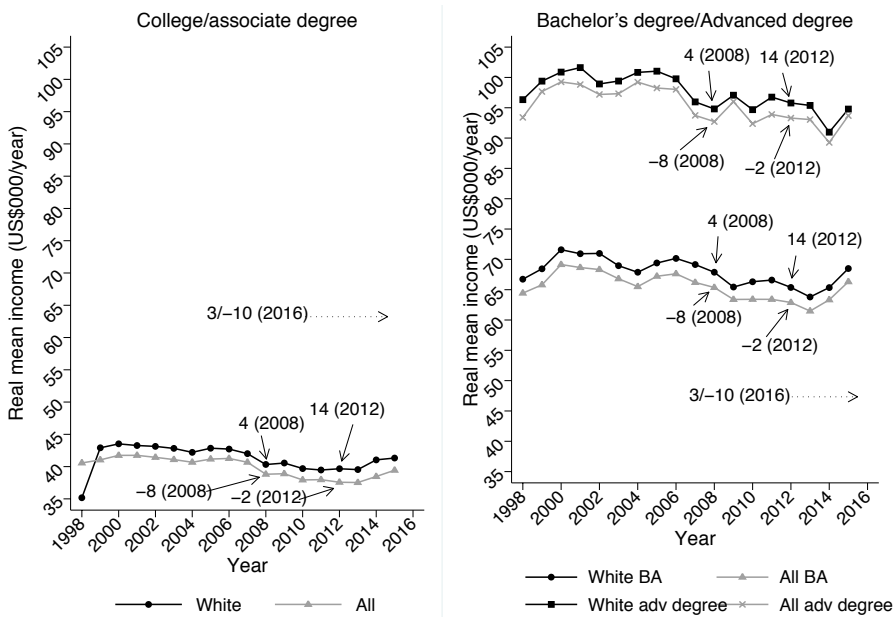
Note: Margins between white Republican and Democratic presidential votes, as well as all votes (after the slash for 2016), are attached to presidential election years 2008–2016.

Source: Author's calculations, based on household income data from US Census Bureau.

non-college-educated whites relative to college-educated whites; and the absolute income (including income growth) of non-college-educated whites relative to the overall non-college-educated population.

In 2016, white voters without a college degree voted for Trump (66 per cent) with much higher percentages than in 2012 (61 per cent) and 2008 (58 per cent), and with much higher margins (see figure 4). But white voters without a college degree (both those with and those without a high school diploma) supported Trump despite experiencing greater income growth during the full span of Obama's presidency than any other white group defined by educational level. Their income expansion was also stronger than any other education group during Obama's second term (2012–2016). However, during Obama's first term (2008–2012), their income did not grow as fast as that of white Americans with advanced degrees, although they did better than those with an associate (i.e. two-year college) degree or bachelor's degree. Despite stronger income development than college-educated income earners, whites without a college degree voted for Trump with a 37-point margin, whereas whites with a college degree favoured Trump with only a 3-point margin. Although these numbers suggest that something other than income explains Trump's victory, it could still be that the higher margins for white voters without college degrees reflect discontent with low real incomes.

**Figure 5: Income growth among US citizens with education above college degree level, 1998–2016**



Note: Margins between white Republican and Democratic presidential votes, as well as all votes (after the slash for 2016), are attached to election years 2008–2016.

Source: Author's calculations, based on household income data from US Census Bureau.

If low real incomes explain Trump's support among white voters without college degrees, we should find general support for Trump among voters with low real incomes. However, since 1998 the mean income of whites without college degrees has always been higher than the mean income of all those without college degrees. If their income remained higher, was their income growth slower? During the full length of Obama's presidency, and during his first term, whites without a college degree experienced higher growth than all income earners without a college degree. Only during Obama's second term did the mean income of whites without a college degree underperform the income of all earners without a college degree. The growth differential between the two groups during this period,<sup>77</sup> however, is quite small, for both those with and those without a high school diploma: the mean income of workers without a high school diploma increased by 13.41 per cent, compared to 12.99 per cent growth for whites without a high school diploma. The mean income of all workers with a high school diploma increased by 5.73 per cent; of whites with a high-school diploma, by 5.60 per cent. It is noteworthy that during Obama's second term the overall mean income of all earners with a college degree increased less than for whites with a college degree. The biggest difference was for whites with an advanced degree, who earned

<sup>77</sup> i.e. between 2012 and 2015; no data are yet available for 2016.

US\$1,394 a year less than the mean income of all recipients of advanced degrees. Yet despite slower income growth, white college graduates were disinclined to vote Republican in the 2016 elections (see figure 5).

If dissatisfaction with income played a role in explaining why white voters without a college degree endorsed Trump, the only evidence for it is the relatively lower income growth of white earners without college degrees compared to all earners without college degrees between 2012 and 2015. Disaggregating the income differential for non-college-educated whites, those without a high-school diploma experienced 0.43 per cent lower income growth, and those with a diploma 0.13 per cent lower income growth, than all non-college-educated earners within the corresponding educational group. It is highly unlikely that these small percentage differences explain why whites without a college degree favoured Trump with a 37-point margin whereas all earners without a college degree favoured Trump with only a 7-point margin.

If income mattered only in conjunction with education and colour in the 2016 elections, income might have been more decisive in distressed regions. One of the biggest surprises in the 2016 presidential election was how the Democrats lost the 'blue wall' states in the 'Rust Belt'—Pennsylvania in the north-east; Iowa, Wisconsin, Michigan and Ohio in the mid-west. The Democrats also lost Florida in the south, a traditionally Republican state, which Obama won in 2008 and 2012.

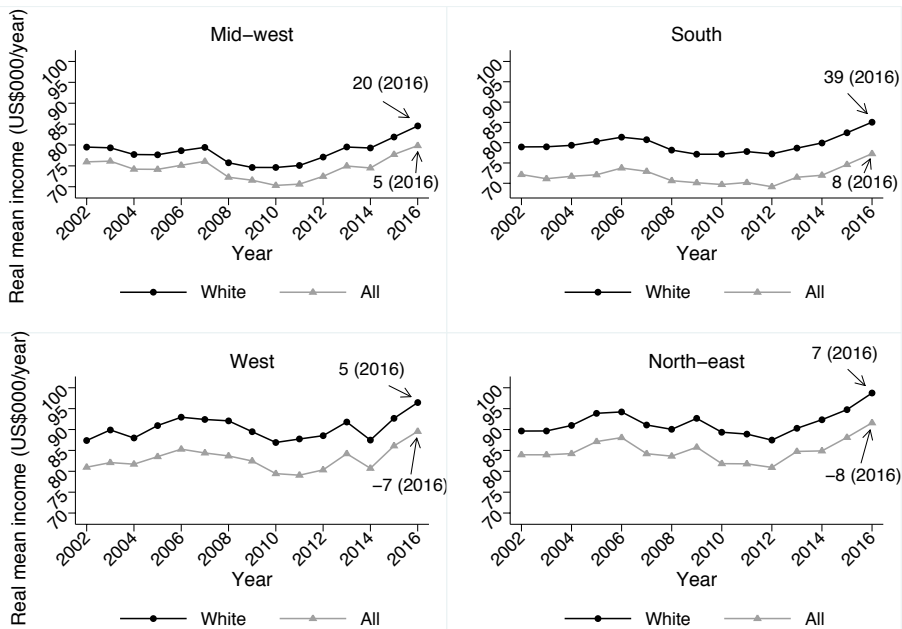
Declining employment and income are said to have contributed to support for Trump in conventionally Democratic states. But there are several problems with this explanation. While the decline in the mid-west is real, it has been in the making for a very long time. During the Obama years, specifically between 2008 and 2016, income in the mid-west rose more sharply than in all other regions. During Obama's second term, both white and overall income growth was stronger in the mid-west than in any other region. Yet the Republican vote exceeded the Democratic vote in the mid-west by the second-highest margin of any region (see figure 6). Moreover, during the same period, income growth for whites was higher than for all ethnic groups combined; and yet whites in the mid-west voted Republican by a margin of 20 points, compared to a margin of 5 points for the region overall. However, during Obama's second term, *white* income growth in the mid-west was lower than in all other regions except for the west. *Overall* income growth was worse in the mid-west than in all other regions. Yet the white margin in favour of Trump was stronger in the mid-west (20 points) than in the west (5 points), and the *overall* margin in favour of Trump in the mid-west (5 points) was considerably lower than for *whites* in the mid-west (20 points).

Given the higher proportion of whites in the mid-west (76 per cent) than nationally (61 per cent), and the higher number of voters in the region aged over 25 years without a college degree (71 per cent) than nationally (55 per cent),<sup>78</sup> it is likely that factors of education, colour and income combine to explain the level of support for Trump in 2016.

In the 2016 election, racial polarization, as measured by the difference between

<sup>78</sup> US Census Bureau, *Educational attainment of the population* (Washington DC, 2017).

**Figure 6: Income growth by region and race, 1998–2015**



Note: Margins between white Republican and Democratic presidential votes, as well as all votes (after the slash), are attached to the election year 2016.

Source: Author's calculations, based on household income data from US Census Bureau.

white and non-white preferences for Trump, was highest in the south, second to highest in the mid-west and north-east, and lowest in the west. These cleavages were most apparent in the south and mid-west. White voters were aligned with Trump in the south (67 per cent) and the mid-west (57 per cent), non-white voters with Clinton in the south (77 per cent) and mid-west (75 per cent).

Racially *differentiated* voting patterns do not necessarily mean that voting is racially *motivated*. It could be that whites are generally more conservative on a range of issues and that their views were therefore better aligned with the policies espoused by the Republican than the Democratic candidate. Yet that would not explain why so many white college-educated voters fled the Republican presidential nominee in 2016 (see figure 5). Rather, there exists some evidence that racist attitudes encouraged a portion of the white electorate to align with Trump. For example, 80 per cent of white evangelical Christians supported Trump.<sup>79</sup> Their vote is important because although they account for a lower share of the population today (17 per cent) than in 2008 (21 per cent), they still account for 26 per cent of the vote because a lot of them turn out to vote.<sup>80</sup> Their high proportion of the vote suggests that racism might have been a relevant issue. In the months before the elections, a non-partisan study by the American Values Atlas revealed that white evangelicals were less likely to perceive discrimination

<sup>79</sup> 'Election 2016: exit polls'.

<sup>80</sup> Robert P. Jones, 'Trump can't reverse the decline of white Christian America', *The Atlantic*, 4 July 2017.

against blacks, with only 36 per cent saying blacks were discriminated against ‘a lot’, compared to the national average of 57 per cent.<sup>81</sup>

### *Trump and the liberal playbook*

In 2016, socio-cultural fissures within the United States played a critical role in the election of the presidential candidate most disparaging of the LIO. Trump’s call to put America ‘first’ internationally, and white Christians ‘first’ domestically, resonated with non-college-educated white voters who saw their historic privileges fading. Not all grievances were racially motivated; certainly, some poorer non-college-educated whites compared their present situation unfavourably with the rosier circumstances of their families’ past.<sup>82</sup>

The relationship between education and race was first noted over seven decades ago. Gunnar Myrdal’s 1944 book *An American dilemma* was famously cited in the Supreme Court decision in *Brown v. Board of Education* (1954), and helped desegregate education in the United States by demonstrating that education could not be separate but equal for blacks.<sup>83</sup> Myrdal went further, calling for an ‘educational offensive against racial intolerance’ and the forging of an ‘American creed’, a civic culture with equal rights for all Americans, to overcome the contradiction between American liberal ideals and the reality of racial discrimination.<sup>84</sup>

Since then, great progress has been made. Blacks, and other minorities, in the United States are equal before the law and have equal political rights, and greater social and economic opportunities, than before. Education has no doubt played a significant role in reducing explicit racist behaviour or *individual racism*, that is, ‘overt acts by individuals, which cause death, injury or the violent destruction of property’.<sup>85</sup> But discrimination is a problem beyond what most people would recognize as specific instances of racist behaviour. *Institutional racism* is a ‘less overt, far more subtle, less identifiable’ form of racism, which ‘originates in the operation of established and respected forces in society’.<sup>86</sup> The concept of *white privilege* is the flip side of institutional racism and refers to the unearned benefits enjoyed as a result of being white.<sup>87</sup> The concept is not intended to mean that every white person is ‘privileged’ or that no other form of privilege exists. It is intended to expose the existence of an implicit racial hierarchy in society and the political, economic and legal inequality which it reproduces.<sup>88</sup> Attempts to attenuate white privilege are met with suspicion and opposition by those who benefit from it.

<sup>81</sup> Isabella Burton, ‘Study: when it comes to detecting racial inequality, white Christians have a blind spot’, *Vox*, June 23, 2017.

<sup>82</sup> J. D. Vance, *Hillbilly elegy: a memoir of a family and culture in crisis* (New York: HarperCollins, 2016).

<sup>83</sup> Myrdal, *An American dilemma*.

<sup>84</sup> Myrdal, *An American dilemma*, p. 49.

<sup>85</sup> Charles V. Hamilton and Kwame Ture, *Black power: politics of liberation in America* (New York: Vintage, 1992; first publ. 1967), p. 4.

<sup>86</sup> Hamilton and Ture, *Black power*.

<sup>87</sup> Peggy McIntosh, *White privilege: unpacking the invisible knapsack* (Wellesley College, MA: National Seed Project, 1989).

<sup>88</sup> For recent commentary, see Ta-Nehisi Coates, *We were eight years in power: an American tragedy* (New York: BCP Literary, 2017).

For example, today a majority of white Americans (55 per cent) believe they are discriminated against, and nearly half of them (26 per cent) attribute this to US 'laws and government policies'.<sup>89</sup> Whites who believe they face institutional racism are unlikely to see a difference between policies designed to reduce unmerited privileges and policies that reduce merited privileges. They are also unlikely to appreciate how restrictive the scope for affirmative action is. For example, in the case of university admissions policies, quotas have been unconstitutional since the 1978 Supreme Court decision in *Regents of the University of California v. Bakke*. Many states even forbid the use of race in admissions procedures. Where states do permit the use of race, it may be used only as *one* criterion in promoting diversity, and only if all other methods fail, as laid down in the 2013 Supreme Court decision in *Fisher v. University of Texas*.

The political scientist and public intellectual Walter Russell Mead has explained the 2016 election outcome as a 'Jacksonian revolt' in which many 'white Americans find themselves in a society that talks constantly about the importance of identity, that values ethnic authenticity, that offers economic benefits and social advantages based on identity—for everybody but them'.<sup>90</sup> Another political scientist, Mark Lilla, proposes an end to identity politics as a way to secure broader support for liberal policies.<sup>91</sup> I agree with Mead that identity politics cannot be unilateral, and I agree with Lilla that the American habit of categorizing individuals according to essentialist criteria is contrary to liberal principles. But I am not sure either of them would agree that there has been an essentialist identity politics in the United States, going back at least to the eighteenth century, constructed around the primacy of a white American identity of European Christian descent. Reactions against this unspoken identity politics lay beneath claims of institutional racism long before Trump gave voice to a 'white America first' policy at home.

College-educated white Americans are more likely to recognize the advantages attached to being white (47 per cent) than white Americans without college degrees (17 per cent).<sup>92</sup> A possible reason for this is that higher education fosters liberal attitudes, and provides exposure to different ethnic groups, limiting blatant forms of racism.<sup>93</sup> But even though college-educated whites are less inclined to vote for their privilege, and more prepared to see their privilege, there is plenty of room in the liberal playbook for race-based discrimination. There's a playbook in force that liberals are supposed to follow. The playbook prescribes responses to different forms of racism, and these responses tend to be outraged responses. When no colleague or friend is threatened by charges of racism, the playbook works. But the playbook can also be a trap leading to bad decisions because discriminatory

<sup>89</sup> National Public Radio, Robert Wood Johnson Foundation and Harvard T. H. Chan School of Public Health, *Discrimination in America: you, me, and them* (2017).

<sup>90</sup> Walter Russell Mead, 'The Jacksonian revolt: American populism and the liberal order', *Foreign Affairs* 96: 2, March/April 2017, p. 5.

<sup>91</sup> Mark Lilla, *The once and future liberal: after identity politics* (New York: HarperCollins, 2017).

<sup>92</sup> *On views of race and inequality, blacks and whites are worlds apart* (Washington DC: Pew Research Center, 27 June 2016).

<sup>93</sup> Richard T. Schaefer, 'Education and prejudice: unraveling the relationship', *Sociological Quarterly* 37: 1, 1996, pp. 1–16.

practices often implicate someone's colleague, friend, family or wider community. The trap is especially pernicious in higher education, where people tend to overestimate their liberal inclinations, and where opportunities, support and intellectual attribution are largely network-based.<sup>94</sup> It is therefore unsurprising that a higher percentage of college-educated blacks (55 per cent) say they have been disadvantaged by their race than non-college-educated blacks (29 per cent). An even higher percentage of all blacks (81 per cent) who at some point attended college say they were treated differently because of their race: perhaps an overlooked factor in the reasons why blacks are less likely to finish college.<sup>95</sup>

In addition to the different experiences and beliefs about race to which education gives rise, a partisan divide exists, with Republicans (43 per cent) more likely than Democrats (27 per cent) to say whites, rather than blacks, experience a lot of discrimination.<sup>96</sup> Only 37 per cent of Republicans (against 76 per cent of Democrats) say racism is a problem.<sup>97</sup> Attitudes towards blacks also extend to other groups. From the 2016 exit polls, we know that Trump voters were more likely to support a wall along the Mexican border (85 per cent) than Clinton voters (10 per cent), to support deportation of illegal immigrants (83 per cent vs 14 per cent) and view immigration as the most pressing problem for the country (64 per cent vs 33 per cent).<sup>98</sup>

Overall, the evidence presented in this article suggests not only that education and race were strong predictors of the 2016 presidential vote, but that *racism* was a contributing factor.

## Summary and conclusion

Trump did not create angst about America's dominant position in the world, or about white America's dominant position *vis-à-vis* other ethnic groups, but he tapped into these two currents more unabashedly than any other presidential candidate in postwar history. This article deconstructs 'America first' into two components, an international component and a domestic component, which share common symptoms (lost greatness) and common remedies (redistribution).

In the first two sections of this article, I discussed the international component, and how 'America first' threatens to undermine the LIO. I showed how 'America first' reflects concerns about American decline and American overextension in three areas: the security, trade and monetary spheres. A common theme in this

<sup>94</sup> See Carla Norrlof, 'The international political economy of money, macro-money theories and methods', *Review of International Political Economy* 24: 4, 2017, pp. 718–36. For possible solutions based on self-monitoring and self-policing, see Cullen Hendrix, 'Trump and ethnicity in comparative perspective', *Political Violence @ a Glance*, 29 Nov. 2016; James D. Fearon and David D. Laitin, 'Explaining interethnic cooperation', *The American Political Science Review* 90: 4, 1996, pp. 715–35.

<sup>95</sup> *On views of race and inequality, blacks and whites are worlds apart.*

<sup>96</sup> Daniel Cox and Robert P. Jones, *Discrimination in America* (Washington DC: Public Religion Research Institute, 2017).

<sup>97</sup> Samantha Neal, *Views of racism as a major problem increase sharply, especially among Democrats* (Washington DC: Pew Research Center, 29 Aug. 2017).

<sup>98</sup> 'Election 2016: exit polls'.



narrative is how the United States is being exploited by other countries, and how disengaging from the LIO presents a better path forward. In the security area, the world should no longer count on the US to act as global policeman or to tolerate unfair burden-sharing within security alliances. In trade, the US will no longer stand by as other countries free-ride on America's openness. In the monetary realm, the dollar's global role is not as good as gold. While Trump's views on the LIO are quite idiosyncratic, and have yet to be fully implemented, declinists and proponents of retrenchment share certain aspects of this outlook.

In opposition to this perspective, I have provided broad-based metrics demonstrating that the United States remains by a long way the leading state in the world today, and argued that it would be a lot worse off under alternatives to the LIO than it has been in the postwar era and is today. A counterfactual setting, where the United States does not provide international security, would be a more uncertain and more economically fragile one, with more limited commerce and investment. A United States of America in which the commercial and financial playing field, including the dollar's role, no longer spans the globe, but is domestically confined, will reduce US prosperity and geopolitical reach. Yet there is a growing sense, correctly identified by President Trump, that America's global engagement is not benefiting all Americans.

In discussing the domestic component of 'America first' in the third section of the article, I argue that America's real challenge, in shoring up support for the LIO, is not to redistribute gains internationally (from other countries to the United States) but to redistribute them domestically. Safety nets and economic relocation programmes have a vital role to play in the effort to manage how globalization affects the domestic distribution of income. But such measures are unlikely to be sufficient, given that US income inequality has been rising since the late 1960s and the US electorate has repeatedly backed presidents who have recommitted America to the LIO. To better understand what role income distribution played in the 2016 election, I analyse real income levels and real income growth, both nationally and regionally. I find that income concerns on their own were not the primary driver of support for Trump. The most powerful predictor of the Trump vote was a combination of education and race, with white non-college-educated voters favouring Trump by very pronounced margins. Racial divisions were also significant on a regional basis. Drawing on additional survey data, I infer that the vote was not only racially patterned but reflected racism among white non-college-educated voters and a desire for a 'white America first'. The relationship between education and race was first noted over seven decades ago by the Swedish Nobel laureate Gunnar Myrdal, in a study commissioned by the Carnegie Foundation.<sup>99</sup> His appeal for an 'educational offensive against racial intolerance' to foster an 'American creed' based on liberty, equality and justice remains relevant today.<sup>100</sup> Post-secondary education encourages liberal attitudes, at least up to a point. On the basis of the evidence presented in this article, I conclude that higher

<sup>99</sup> Myrdal, *An American dilemma*.

<sup>100</sup> Myrdal, *An American dilemma*, p. 49.

education is a vital element in strengthening the domestic foundations of the LIO. More resources should be allocated to expanding higher education, and considerable effort dedicated to creating more inclusive environments at colleges and universities.

The main lessons from this article are straightforward. ‘America first’ internationally and ‘white America first’ domestically will cause America to fall in the ranks of Great Powers and in the ranks of liberal guardians. ‘America first’ will make America second rate.