

THE FINANCIAL CRISIS, ANTIGLOBALISM FERVOR AND ENTRENCHMENT: A WARNING FOR THE UNITED STATES AND UNITED KINGDOM

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INTRODUCTION

Since the Great Recession eviscerated the state of the global economy, citizen sentiment and the political climate within the United States and United Kingdom has morphed into a state of extremism.¹ China has likewise shifted into a state of extremism.² Albeit, the shift experienced in China is one of stark juxtaposition to that of the Western powers.³ Now, ten years after the Great Recession, the impact it has had on creating today's global environment has been underappreciated. This may be in large part due to the enormity of events that have occurred in the political arena and that have been so closely covered by the media since then that feel to be at least equally—if not more—pertinent to causing the current global landscape. Research conducted by Amir Sufi, professor of economics and public policy at University of Chicago Booth School of Business, Atif Mian, professor at Princeton University, and Francesco Rebbi, professor at the University of British Columbia, as published in their book, *House of Debt*, evidences, however, that the role that the Great Recession itself has played in causing the vast polarization and political extremism that has taken hold of these countries today warrants a deeper look.⁴

In order to summarize the findings of *House of Debt*, Professor Amir Sufi recently published an article entitled *Why You Should Blame the Financial Crisis for Political Polarization and the Rise of Trump*.⁵ Sufi explains that the findings from the research undertaken by him and his co-authors show that “[i]n

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1. See Leslie P. Norton, *China, Brexit, and the U.S. Election — What Eurasia Group's Ian Bremmer Expects*, BARRONS (Oct. 25, 2019, 4:24 PM), <https://www.barrons.com/articles/china-brexit-and-the-u-s-election-what-one-strategist-expects-51572035073>.

2. See Emile Simpson, *Globalization Has Created a Chinese Monster*, FOREIGN POL'Y MAG. (Feb. 26, 2018, 3:13 PM), <https://foreignpolicy.com/2018/02/26/globalization-has-created-a-chinese-monster/>.

3. See *id.*

4. See Amir Sufi, *Why You Should Blame the Financial Crisis for Political Polarization and the Rise of Trump*, EVONOMICS (June 14, 2016), <https://evonomics.com/blame-financial-crisis-politics-rise-of-trump/>.

5. *Id.*

the US, decisions made during the 2007–10 financial crisis to rescue Wall Street fueled public anger that still resonates with voters of both parties.”⁶ Sufi then further explains that they found that “[t]he aftermath of the crisis . . . has provided fertile ground for even more partisanship and polarization.”⁷ Sufi concludes that “[t]his polarization, our evidence indicates, is a product of the banking crisis.”⁸ Notably, after stating the conclusion of the research, Sufi cites *New York Times* columnist Thomas Byrne Edsall within his article. Here, Sufi writes that “[t]he 2008–2009 economic collapse and its aftermath,” writes *New York Times* opinion columnist Thomas Byrne Edsall in his 2012 book *The Age of Austerity*, ‘have converged to generate a dog-eat-dog political competition over diminishing resources.’”⁹ This anger, polarization, and dog-eat-dog atmosphere that Sufi argues can be directly linked to the Great Recession has, since his research was done in 2014, morphed a step further in causing another phenomena of *antiglobalization fervor*. This phenomenon specifically pertains to the United States and the United Kingdom.

Antiglobalization fervor refers to the sentiment felt within the United States and the United Kingdom that has shifted blame onto to the “other” or the “outsider.” The “other” and “outsider” being those who reside beyond the countries’ borders, as well the minorities found within. These are the overseas laborers working in factories for minimal salary and under ruthless conditions that have purportedly taken American jobs as well as undocumented workers offering cheap services replacing those offered by the United States and United Kingdom’s citizens. As this Note will flush out, the occurrence of these events is not necessarily untrue, but the effects these “others” have had has been vastly overstated and feasted upon by nationalism-focused politicians to largely negative effects. The policies put in place based upon this antiglobalization fervor, meanwhile, have significantly resulted in actualized negative effects on the economies of the United States and United Kingdom. The United States and United Kingdom resultingly have weakened their positions on the global stage by turning on the rest of the world. “In the years after World War II, the U.K. and the U.S. helped design the world as we know it. Last year, they seemed to turn their backs on the liberal global order.”¹⁰

While the United States and United Kingdom have shifted away from globalism in the post-recession era, China has taken the complete opposite approach and to great success. In the pre-recession era, where a defining feature of global economy was the rise of globalization, “many once-poor nations

6. *Id.*

7. *Id.*

8. *Id.*

9. *Id.* (quoting THOMAS BYRNE EDSALL, *THE AGE OF AUSTERITY: HOW SCARCITY WILL REMAKE AMERICAN POLITICS* 9 (2012)).

10. Frank Langfitt, *Britain’s Brexit and Trump America: Allies’ Influence Threatened on World Stage*, NPR (Dec. 21, 2017, 4:55 PM), <https://www.npr.org/2017/12/21/572699219/britains-brexit-and-trump-america-allies-influence-threatened-on-world-stage>.

became more integrated into the global economy, especially China.”¹¹ China has continued to seize on the opportunity to become more integrated in the global economy as the West has become more and more “insulated.”¹² Today, China provides arguably the greatest economic threat to the Western nations. Especially with an increased possibility of another recession or global economic attrition on the horizon, the United States and the United Kingdom, with an eye towards China, cannot afford to entrench further.

In 2018, author of *Too Big to Fail: The Inside Story of How Wall Street and Washington Fought to Save the Financial System—and Themselves*, Andrew Ross Sorkin published an article in the *New York Times* entitled *From Trump to Trade, the Financial Crisis Still Resonates 10 Years Later*.¹³ In that article, Andrew Ross Sorkin writes “[u]nmanageable debt is the match that lights the fire of every crisis.”¹⁴ Andrew Ross Sorkin goes on to note that in the United States, “debt is more than \$21 trillion, and it increased a trillion dollars in just six months under Mr. Trump, who rode populist and anti-establishment sentiment to the White House but whose policy choices have largely favored the wealthy.”¹⁵ Andrew Ross Sorkin concludes by asking a poignant question: “[i]f history tells us the political divisions we have seen since the financial crisis were predictable, then what does history have to say about what comes next?”¹⁶

This Note will reanalyze the impact of the Great Recession through the lens of how its economic devastation led to the anxieties and polarization that in turn caused the rise of nationalism and antiglobalization sentiment in the United States and United Kingdom. It will then analyze the current economic and political positions of the United States and the United Kingdom as juxtaposed with that of China. This Note will argue and recommend that the United States and United Kingdom reverse course and reintegrate with their allies in the global economy as well as the rest of the world or face potential devastation at the hands of the new Chinese power, especially in the event of another Great Recession.

I. BACKGROUND

A. Globalization and the Third Industrial Revolution of the Early 2000s

In the early 2000s, the global economy was booming. “The 1990s and the first years of the 2000s were one of those extraordinary periods in which

11. Neil Irwin, *Globalization's Backlash Is Here, at Just the Wrong Time*, N.Y. TIMES (Mar. 23, 2018), <https://www.nytimes.com/2018/03/23/upshot/globalization-pain-and-promise-for-rich-nations.html>.

12. See Norton, *supra* note 1.

13. Andrew Ross Sorkin, *From Trump to Trade, the Financial Crisis Still Resonates 10 Years Later*, N.Y. TIMES (Sept. 10, 2018), <https://www.nytimes.com/2018/09/10/business/dealbook/financial-crisis-trump.html>.

14. *Id.*

15. *Id.*

16. *Id.*

economies became more interconnected.”¹⁷ The invention of the internet had connected the world unlike ever before, “a new technology from the Third Industrial Revolution, the internet, connected people all over the world in an even more direct way.”¹⁸ Global powers increased investment across the world as the internet “allowed for a further global integration of value chains. You could do R&D in one country, sourcing in others, production in yet another, and distribution all over the world.”¹⁹ As a result, the increase of cross-border exchanges of goods significantly increased. “The flow of goods and services across national borders as a share of all economic activity hovered near 16 percent through the 1980s and early 1990s, then from 1993 to 2008 shot up to 31 percent.”²⁰ In his 2016 book, *Global Inequality*, economist Branko Milanović, reflected that arguably some of “the greatest benefits of globalisation have accrued to a rising ‘emerging middle class.’”²¹

This rapid change to the world, however, was not all positive. “This adjustment provided a wave of affordable goods and opened up new markets for rich countries, but it also devastated certain sectors and geographical areas, especially those involved in manufacturing low-tech products.”²² Specifically pertinent was that “[w]orkers in American and Western European factory towns found themselves in competition with Chinese electronics assemblers, Indian call center employees and auto factory workers in Eastern Europe, Mexico and beyond.”²³ With greater investment and resources in Third World countries also came a downside in these regions. “The local adverse effects that activists pointed to—sweatshop labour, starving farmers—were increasingly obscured by the staggering GDP [(Gross Domestic Product)] numbers”²⁴

But, that does not mean increased regulation, more detailed trade deals as well as cooperation on the global stage could have smoothed these negative effects over. The financial crisis occurring when it did, with the antiglobalization public sentiment that followed in the United States and United Kingdom, prevented such policy changes to come into effect. Now, the United States and United Kingdom, as well as their companies are significantly risking for themselves a loss in unrealized profits. In 2018, Neil Irwin of the *New York Times* essentially drew the same conclusion that gets at the heart of the issue in his article, *Globalization’s Backlash Is Here, at Just the Wrong Time*:

17. Irwin, *supra* note 11.

18. Peter Vanham, *A Brief History of Globalization*, WORLD ECON. F. (Jan. 17, 2019), <https://www.weforum.org/agenda/2019/01/how-globalization-4-0-fits-into-the-history-of-globalization/>.

19. *Id.*

20. Irwin, *supra* note 11.

21. Nikil Saval, *Globalisation: The Rise and Fall of an Idea That Swept the World*, GUARDIAN (July 14, 2017, 12:28 AM), <https://www.theguardian.com/world/2017/jul/14/globalisation-the-rise-and-fall-of-an-idea-that-swept-the-world>.

22. Irwin, *supra* note 11.

23. *Id.*

24. Saval, *supra* note 21.

In short, the anti-globalization drive that is spreading across the Western world may be coming at exactly the wrong time—too late to do much to save the working-class jobs that were lost, but early enough to risk damaging the ability of rich nations to sell advanced goods and services to the rapidly expanding global middle class.²⁵

B. Great Recession of the Late 2000s

The recession itself for the most part was not caused by the forces of globalization. It was, however, in large part caused by the largest investment banks on Wall Street creating a system to inflate their own profits by taking advantage of people who wanted a house they could not afford but who were told by the banks that they could. But, before Wall Street engaged in such foul play, there truly was a real estate boom. The real estate boom occurred on the heels of the internet era that helped catalyze the emerging middle class in the early 2000s.

Good people with good jobs wanted houses to live. They followed the simple, tried and tested method. They went to a bank and asked for a loan. The bank obliged. Many people who were capable of repaying the loans bought houses. They paid their installments on time and everything looked fine. This was the time when the real estate market was on a boom.²⁶

The issues that led to the Great Recession arose when Wall Street ran out of qualified mortgage purchasers to receive loans. Wall Street firms began to give out mortgages to lesser-qualified mortgagees and hid the likeliness these mortgagees would default by bundling them together. “Using annual firm-level data for the top subprime mortgage-backed security issuers . . . show[s] that when the conventional mortgage market became saturated in 2003, the financial industry began to bundle lower quality mortgages—often subprime mortgage loans—in order to keep generating profits from fees.”²⁷ Wall Street bankers failed, or refused, to ask the question of what would happen when all of these mortgagees default.

Post-recession analysis paints an even less glorifying picture in terms of the actions undertaken by the banks. Academics claim that the data shows that not only were the banks giving out these loans to garner more fees, but they also *knew* that what they were doing was engaging in fraudulent activity. “Fraudulent activity leading up to the market crash was widespread: mortgage originators commonly deceived borrowers about loan terms and eligibility

25. Irwin, *supra* note 11.

26. Shivansh Jauhri, *Financial Crisis Explained: How Greedy US Banks Crippled World Economy*, BUS. STANDARD (Sept. 5, 2018, 1:37 PM), https://www.business-standard.com/article/markets/financial-crisis-explained-how-greedy-us-banks-crippled-world-economy-118090500388_1.html.

27. Erin Coghlan, Lisa McCorkell & Sara Hinkley, *What Really Caused the Great Recession?*, INST. FOR RES. ON LAB. & EMP. (Sept. 19, 2018), <https://irle.berkeley.edu/what-really-caused-the-great-recession/>.

requirements, in some cases concealing information about the loan like add-ons or balloon payments.²⁸ Wall Street even gave names to the riskiest mortgage loans they were providing, “such as ‘NINJA’ loans (a loan given to a borrower with no income, no job, and no assets) and jumbo loans (large loans usually intended for luxury homes), to individuals who could not afford them, knowing that the loans were likely to default.”²⁹ Wall Street then packaged and traded these faulty mortgage-backed securities likely to default by bundling them into something Wall Street called Collateralized Debt Obligations (CDOs). Then, as “those products blew up, they almost took the whole economy with them.”³⁰

Amir Sufi points to where the anger that is so prevalent in today’s society began following the financial crisis. “[W]hen the housing bust turned into a financial crisis, policy makers’ first instinct was to save the lenders—i.e., the banks—out of fear of contagion.”³¹ However, “homeowners got little relief from TARP or from subsequent legislation and settlements with big banks.”³²

The Great Recession wiped out 8 million jobs and some \$2 trillion in income by 2012. House prices fell by \$5.5 trillion, and more than 4 million homes faced foreclosure—about 5 percent of all mortgages in 2009. Marginal borrowers, who had little net worth beyond their home, were virtually wiped out.³³

Then, after the U.S. federal government bailed out Wall Street, Wall Street immediately turned around and shelled out bonuses to their employees. “Nine of the financial firms that were among the largest recipients of federal bailout money paid about 5,000 of their traders and bankers bonuses of more than \$1 million apiece for 2008”³⁴ Andrew Cuomo, New York’s Attorney General in 2009, asked the question that many Americans have likely since thought, but have been without the proper platform to ask: “‘If the bank lost money, where do you get the money to pay the bonus?’”³⁵

The Obama Administration, Republican politicians, as well as the media did not do enough in terms of criticizing Wall Street in the years that followed. Wall Street’s egregious conduct should have been continuously highlighted, even to this day. Perhaps then, Occupy Wall Street could have been a more successful movement in focusing today’s political anger against the actual culprits of the crisis—Wall Street fervor—rather than against globalization.³⁶

28. *Id.*

29. *Id.*

30. Steve Denning, *Lest We Forget: Why We Had a Financial Crisis*, FORBES (Nov. 22, 2011, 11:28 AM), <https://www.forbes.com/sites/stevedenning/2011/11/22/5086/#16c4f5c6f92f>.

31. Sufi, *supra* note 4.

32. *Id.*

33. *Id.*

34. Louise Story & Eric Dash, *Bankers Reaped Lavish Bonuses During Bailouts*, N.Y. TIMES (July 30, 2009), <https://www.nytimes.com/2009/07/31/business/31pay.html>.

35. *Id.* (quoting Andrew M. Cuomo).

36. *See Sep 17, 2011 CE: Occupy Wall Street*, NAT’L GEOGRAPHIC, <http://ipod-nagsta.test.nationalgeographic.org/thisday/sep17/occupy-wall-street/>.

C. Post-Recession Retreat of Globalization

“Financial crises should serve as an opportunity to reset a model which has proved unsustainable and to fix the flaws which brought the system down.”³⁷ However, the governments of the United States and United Kingdom failed to adequately fix these flaws. Most Americans were not largely attuned to the fact that the financial institutions that were being bailed out by the government and that were largely to blame for the crisis continued shelling out bonuses immediately afterwards.³⁸ Instead, anger was still out there and many believed that the bankers had been ‘punished.’³⁹ Those who did pay attention to the bankers’ favorable treatment after the Great Recession only got angrier. “[P]eople across the world who paid the price for the banks’ failures during the recession that followed look askance at the way so few bankers have been held accountable for their actions, still less punished.”⁴⁰

Whether by concerted effort by the elites who served to benefit or by natural forces, the focus shifted for those who remained angry to the *unknown*. The unknown being those the average U.S. and U.K. citizen could not see in their daily lives. Why would the elites create policy against themselves to appease the public when there was an easier option? The easier option was to blame someone else. *The easiest option was to blame the outsiders*. The politicians did just that and public sentiment followed with great support for this new policy shift. Economist Martin Wolf described this political dance that occurred with the following: “We have a very big political problem in many of our countries The elites—the policymaking business and financial elites—are increasingly disliked. You need to make policy which brings people to think again that their societies are run in a decent and civilised way.”⁴¹ Wolf is referring to protectionism from the outside world. “The rise of protectionism and anti-immigrant sentiment in Britain, America, and Europe is widely believed to reflect stagnant incomes, widening inequality, structural unemployment, and even excessive monetary easing. But there are several reasons to question the link between populist politics and economic distress.”⁴²

37. Fran Boait, *The UK Economy Is Still in Need of Urgent Reform 10 Years After the Financial Crisis*, INDEPENDENT (Sept. 15, 2018, 5:00 PM), <https://www.independent.co.uk/news/business/comment/financial-crisis-ten-years-uk-economy-urgent-reform-bank-england-mark-carney-a8537561.html>.

38. See Story & Dash, *supra* note 34.

39. See Editorial, *Ten Years After the Financial Crisis, the UK Is Facing Another Huge Economic Shock in the Form of Brexit—This Time It’s Self-Inflicted*, INDEPENDENT (Sept. 14, 2018, 4:15 PM) [hereinafter *Ten Years After the Financial Crisis*], <https://www.independent.co.uk/voices/editorials/financial-crisis-credit-crunch-banks-brexit-recession-a8538106.html>.

40. *Id.*

41. Saval, *supra* note 21 (quoting Martin Wolf).

42. Anatole Kaletsky, *Trump’s Rise and Brexit Vote Are More an Outcome of Culture Than Economics*, GUARDIAN (Oct. 28, 2016, 8:17 AM), <https://www.theguardian.com/business/2016/oct/28/trumps-rise-and-brexit-vote-are-more-an-outcome-of-culture-than-economics>.

Globalization, thus, suddenly came into the limelight as the wrought vehicle for which the elite and corporations used to reap profit at the expense of the working folk. Or, so was the consensus shared amongst the average citizen in the United States and the United Kingdom. “In the wake of the financial crisis, the cracks began to show in the consensus on globalisation, to the point that, today, there may no longer be a consensus.”⁴³ Suddenly, the pressure would turn on who were once the proponents of globalization to retreat in their stance. Even the economists who had in the early 2000s been globalization’s largest supporters felt pressures—financially, politically, or academically—to voice a different tone. “Economists who were once ardent proponents of globalisation have become some of its most prominent critics. Erstwhile supporters now concede, at least in part, that it has produced inequality, unemployment and downward pressure on wages.”⁴⁴ As such, today’s “volatile political scene reflects public anxiety over ‘the process that has come to be called “globalisation.””⁴⁵

Antiglobalization sentiment after the financial crisis quickly turned from a sentiment shared amongst citizens into actualized action taken by Western companies to change their operations and boast about said changes through public relations campaigns in order to appease the U.S. and U.K. domestic consumer.

At first, as the economic crisis took hold, both trade and capital flows became less globalized, but since 2009 trade has bounced back whereas capital flows have continued to become less globalised, says DHL. This seems to reflect a fall in the number of places into which companies from any given country are willing to put their foreign direct investment.⁴⁶

Cross-border GDP flows further enlighten the entrenchment that occurred post-recession. “If you look at international flow of money instead of goods and services, the results are even more stark. Cross-border financial flows peaked in 2007 at 22 percent of world G.D.P., but were down to 6 percent in 2016”⁴⁷

II. ANALYSIS

A. Nationalism, Populism, and Antiglobalization Take Over the United States and United Kingdom

Today, the average middle-class citizen in the United States and United Kingdom still feels the reverberating effects stemming from the global financial crisis. What this citizen, his government, and the media have ignored is how

43. Saval, *supra* note 21.

44. *Id.*

45. *Id.* (quoting Dani Rodrik).

46. *Going Backwards*, *ECONOMIST* (Dec. 22, 2012), <https://www.economist.com/business/2012/12/22/going-backwards>.

47. Irwin, *supra* note 11.

this stagnation can be traced back to the tremors we still face flowing from the global financial crisis.

[W]orkers have seen little if any rise in their real incomes for many years, with millennials being especially disadvantaged. This dissatisfaction with stagnant wage growth has slowly turned into a political phenomenon, with populist parties across the world capitalising on the discontent around globalisation and sometimes unprecedented movements of people. Brexit, Trump and Corbyn, offering facile answers to complex problems, can all be traced back to the financial crisis.⁴⁸

The demographics of the supporters of the populist, antiglobalization movements in the United States and United Kingdom further shows that a lack of education has played a crucial role in the popularity of the populist movements that have taken over these countries. “Most populist voters are neither poor nor unemployed; they are not victims of globalisation, immigration, and free trade. The main demographic groups behind the anti-establishment upsurge have been people outside the workforce: pensioners, middle-aged homemakers, and men with low educational qualifications receiving disability payments.”⁴⁹ Likewise, the bigotry and discrimination that has existed within some social groups have used these movements as a vehicle to fight their own battle as “the 2008 financial crisis created conditions for a political backlash by older, more conservative voters, who have been losing the cultural battles over race, gender, and social identity.”⁵⁰

B. The Entrenchment of the United States

Today, a discussion in the rise of populist and nationalistic sentiment coupled with antiglobalization fervor of the current United States cannot be divorced from Trumpism. Trumpism arose in the 2016 U.S. presidential election. In that election, Republican nominee and reality television star, Donald Trump defeated Democrat nominee Hillary Clinton by receiving more electoral college votes than Clinton.⁵¹ This result came as a shock to many but perhaps not as much so as the claims that the election was, in at least some part, effected by a concerted effort by the Russian government on social media.⁵² Also of note is that Trump won the election while all the while encouraging chants of “locking up” his opponent at his campaign rallies, running on a platform to “build a wall” along the United States-Mexico border, and last but

48. *Ten Years After the Financial Crisis*, *supra* note 39.

49. Kaletsky, *supra* note 42.

50. *Id.*

51. *See Presidential Election Results: Donald J. Trump Wins*, N.Y. TIMES (Aug. 9, 2017, 9:00 AM), <https://www.nytimes.com/elections/2016/results/president>.

52. *See* S. REP. NO. 116-XX, at 15 (2019), https://www.intelligence.senate.gov/sites/default/files/documents/Report_Volume2.pdf.

not least, being caught verbally on tape describing how he has sexually assaulted women.⁵³

Since Trump has taken office, anti-immigrant sentiment, as embraced by then-candidate Trump as a campaign platform, has turned into governmental action. This has been the first way that Trump has attempted to turn the American public against the “other.” Trump’s nationalism is not to be mistaken with celebrating the history of the United States, as his campaign slogan “Make America Great Again” might suggest. Trump’s nationalism is more accurately described as ‘America first, and nobody second.’ As such, Trump’s campaign to “build the wall” has grown into an all-encompassing anti-immigration policy. Those attempting to immigrate into the country, namely migrants and those seeking asylum attempting to enter the United States, have been captured and placed into camps along makeshift United States-Mexico border towns.⁵⁴ In these camps, children have been left alone and separated from their families due to policies approved by the Trump Administration.⁵⁵ Meanwhile, the experience of those undocumented workers already residing in the United States has not been much better, as immigration raids have significantly increased.⁵⁶

Additionally, a trade war has erupted between the United States and China, which the Trump Administration has attempted to sell to the American worker as necessary due to China being responsible for unfair economic practices in the global economy.⁵⁷ This is the Trump Administration’s second way of blaming the “other.” Here, there is some substance to President Trump’s claim, and it is undeniable that the pressures from China have only mounted on the United States in recent years. “The M.I.T. economist David Autor and colleagues have done extensive work showing that the ‘China shock’ that ensued with that country’s entry into the World Trade Organization caused lasting pain to communities in the United States that competed with Chinese companies in making a range of manufactured goods.”⁵⁸ The manufactured goods that are in competition with China itself have changed; “the challenge is

53. See Samuel Osborne, *Donald Trump Supporters Chant ‘Lock Her Up’ at Election Party as Republican Wins Election*, INDEPENDENT (Nov. 9, 2016, 9:41 AM), <https://www.independent.co.uk/news/world/americas/donald-trump-hillary-clinton-lock-her-up-republican-a7406476.html>.

54. See Amanda Holpuch, *US Sends Asylum Seekers to Mexico’s Border Towns as It Warns Citizens of Violence in Region*, GUARDIAN (Oct. 10, 2019, 7:31 AM), <https://www.theguardian.com/us-news/2019/oct/10/us-migrants-return-mexico-border-towns-violent-crimes>.

55. See Priscilla Alvarez, *ACLU Says Over 900 Children Separated from Families at US Border Since Last Summer*, CNN (July 30, 2019, 7:07 PM), <https://www.cnn.com/2019/07/30/politics/900-children-separated-border/index.html>.

56. See Miriam Jordan, *More than 2,000 Migrants Were Targeted in Raids. 35 Were Arrested.*, N.Y. TIMES (July 23, 2019), <https://www.nytimes.com/2019/07/23/us/ice-raids-apprehensions.html>.

57. See William Mauldin, Nick Timiraos & Paul Kiernan, *U.S. Designates China as Currency Manipulator*, WALL STREET J. (Aug. 5, 2019, 10:47 PM), <https://www.wsj.com/articles/chinas-currency-weakening-escalates-trade-war-11565027431>.

58. Irwin, *supra* note 11.

Chinese competition on more technologically complex products, like automobiles, airplanes or microprocessors.”⁵⁹

The Trump Administration, however, instead of fighting China by working with the twelve-country trade agreement of the Trans-Pacific Partnership (TPP), has turned its back on such to instigate a solo fight. “Yes, in one of his first acts as president he yanked the U.S. out of the 12-country Trans-Pacific Partnership. Then he launched a potentially destructive trade war with China.”⁶⁰ Embarking into a solo trade war with China is a misguided solution. “The administration’s approach could backfire if it unleashes a series of escalating tit-for-tat tariffs on all sorts of goods, undermining global commerce without fixing the underlying problems in information-intensive industries.”⁶¹ The end result of this trade war threatens the United States economy.

If the latest trade skirmishes do blow up into a trade war, those new barriers to international commerce might also block a long-predicted reward of globalization: a new world of customers. The rise in global economic integration, for all the disruption it has meant for certain workers in the United States and Western Europe, has also been a story of millions of people becoming more connected to the worldwide economy, and achieving higher standards of living in the process.⁶²

Additionally, President Trump has constantly blamed European allies during his term. Most specifically, Trump has continuously spoke out against the North Atlantic Treaty Organization (NATO).⁶³ This is the third way the Trump Administration has attempted to turn the American public against the *outsiders*. NATO was a treaty signed originally by the allied winners of World War II in 1949, including the United States and the United Kingdom.⁶⁴ “NATO promotes democratic values and enables members to consult and cooperate on defence and security-related issues to solve problems, build trust and, in the long run, prevent conflict.”⁶⁵ The treaty has now grown to include thirty countries.⁶⁶ In terms of funding, “all 30 members contribute according to an agreed cost-share formula, based on Gross National Income, which represents a small percentage of each member’s defence budget.”⁶⁷ The current agreement

59. *Id.*

60. Shawn Donnan, *The U.S. Is Playing Catch-Up With Rivals as Globalization Marches on*, BLOOMBERG (Nov. 15, 2018), <https://www.bloomberg.com/news/features/2018-11-15/the-u-s-is-playing-catch-up-with-rivals-as-globalization-marches-on>.

61. Irwin, *supra* note 11.

62. *Id.*

63. See Krishnadev Calamur, *NATO Shmato?*, ATLANTIC (July 21, 2016), <https://www.theatlantic.com/news/archive/2016/07/trump-nato/492341/>.

64. *See id.*

65. *What is NATO?*, NATO, <https://www.nato.int/nato-welcome/index.html> (last visited May 25, 2020).

66. *See id.*

67. *Funding NATO*, NATO, https://www.nato.int/cps/en/natohq/topics_67655.htm (updated May 5, 2020).

was signed in a conference of NATO nations in 2014 where “members of the North Atlantic Treaty Organization (NATO) pledged in 2014 to increase their defense spending to 2 percent of their gross domestic products by 2024.”⁶⁸

A report released by NATO in 2018, “showed that several European members had moved closer their pledge of dedicating 2% of their GDP on defence, while others were still lagging behind.”⁶⁹ The report, however, noted that “European nations as a whole reached a five-year high at 1.51%.”⁷⁰ Yet, President Trump has continued to attack NATO at international summits that have sounded the alarm amongst the leaders of NATO allies. “The bickering among Mr. Trump and U.S. allies has become a common motif of international summits as NATO members have grown increasingly divided on a host of issues, including Mr. Trump’s demand that allies lift their military spending to meet NATO’s recommendation of 2% of GDP.”⁷¹ Although European nations are on track to meet the 2014 pledge, Trump has continuously spoken out against their efforts. During a December 3, 2019 NATO reception, the leaders of Canada, France, and even the United Kingdom, (Justin Trudeau, Emmanuel Macron, and Boris Johnson, respectively), were unknowingly recorded discussing the antics of President Trump.⁷² In the video, Mr. Trudeau states, apparently regarding Trump, “[y]ou just watch his team’s jaw drop to the floor’ . . . [and] Mr. Macron cannot be heard, but is seen speaking and gesturing animatedly.”⁷³

In November of 2019, French President Emmanuel Macron, in an interview with *The Economist* discussed his issues with the United States and President Trump head on.⁷⁴ Macron, at least in his view, summed up his frustrations that the recent rhetorical changes from the Trump Administration regarding NATO have stoked. “To be wearing ourselves out over Brexit, to have Europe finding it so difficult to move forward, to have an American ally turning its back on us so quickly on strategic issues; nobody would have believed this possible.”⁷⁵ When asked further about how the United States’

68. Jan Techau, *The Politics of 2 Percent: NATO and the Security Vacuum in Europe*, CARNEGIE EUR. (Sept. 2, 2015), <https://carnegieeurope.eu/2015/09/02/politics-of-2-percent-nato-and-security-vacuum-in-europe-pub-61139>.

69. Michael-Ross Fiorentino, *NATO Pledge: Which European Countries Spend Over 2% of GDP on Defence?*, EURONEWS, (Mar. 3, 2019), <https://www.euronews.com/2019/03/14/nato-pledge-which-european-countries-spend-over-2-of-gdp-on-defence>.

70. *Id.*

71. Catherine Lucey & Stacy Meichtry, *Trump Leaves NATO Summit After Video Flap*, WALL ST. J. (Dec. 4, 2019, 2:59 PM), <https://www.wsj.com/articles/trump-risks-further-isolation-as-macron-relationship-sours-11575455075>.

72. *See id.*

73. *Tensions Overshadow NATO Meeting Intended as Show of Unity*, N.Y. TIMES, (Dec. 4, 2019) (quoting Justin Trudeau), <https://www.nytimes.com/2019/12/04/world/europe/nato-live-updates-trump-macron.html>.

74. *Emmanuel Macron in His Own Words (English)*, ECONOMIST (Nov. 7, 2019), <https://www.economist.com/europe/2019/11/07/emmanuel-macron-in-his-own-words-english>.

75. *Id.* (quoting Emmanuel Macron).

relationship with Europe has changed, Macron stated that the “United States remains our major ally, we need them, we are close and we share the same values. I care a lot about this relationship and have invested a great deal in it with President Trump.”⁷⁶ Macron, however, followed this sentence by stating, “[b]ut we find ourselves for the first time with an American president who doesn’t share our idea of the European project, and American policy is diverging from this project.”⁷⁷ Macron poignantly would state later in the interview that in “[his] mind, what we are currently experiencing is the brain death of NATO.”⁷⁸

C. *The Entrenchment of the United Kingdom*

The Great Recession, while mostly caused by dealings in the United States, did not leave the United Kingdom unscathed. The economic pain stemming from the recession in the United Kingdom was widespread and put many citizens’ homes at risk:

If the world learned one thing from the financial crisis after 2008, it was that a crash in one market in a faraway land will swiftly make its presence felt across the world. Savers in Britain were hit by home loans in Florida going bad, the mismanagement of overextended Icelandic banks and the failure of institutions such as Fannie Mae (the US Federal National Mortgage Agency) they had never heard of.⁷⁹

The resentment felt by the British citizen after the financial crisis mirrored in many ways that which occurred in the United States. “Britain’s liberal economic model has also generated mounting resentment, both because it left swathes of the country behind and because the financial crisis produced a decade of stagnant wages.”⁸⁰ Instead of electing a Donald Trump with a nationalistic platform, however, leaving the European Union through the ‘Brexit movement’ became the British way to blame the “other.”

In 2016, the citizens of the United Kingdom voted in favor of the Brexit referendum and left the European Union despite having no plan in place for how their economy would function upon doing so.⁸¹ The vote to leave the European Union (EU) was heavily influenced by British citizens watching the forces of Trumpism take hold of the United States. “Right-wing populism is gaining a new ascendancy in the West. It is this populism that is represented and

76. *Id.* (quoting Emmanuel Macron).

77. *Id.* (quoting Emmanuel Macron).

78. *Id.* (quoting Emmanuel Macron).

79. *Ten Years After the Financial Crisis*, *supra* note 39.

80. Walter Bagehot, *The Return of Mr. Brexit*, *ECONOMIST* (May 18, 2019), <https://www.economist.com/britain/2019/05/18/the-return-of-mr-brexit-nigel-farage>.

81. Charlie Cooper, *Brexit Campaigners Admit ‘There Is No Plan’ for What Comes Next as Rivals Plan Tory Leadership Bids*, *INDEPENDENT* (June 26, 2016, 7:45 PM), <https://www.independent.co.uk/news/uk/politics/brexit-eu-referendum-campaigners-there-is-no-plan-next-pm-tory-leadership-contest-a7104711.html>.

exemplified by Trump's election and, to a lesser extent, Brexit."⁸² Anxieties had also arisen after the Great Recession amongst British citizens and fueled the Brexit vote. "In Britain, many of the same fears of job loss to 'others' helped fuel the Brexit vote."⁸³ Emmanuel Macron, in commenting on Brexit, as well as other European nations, recently summed up the fervor that the Great Recession caused that would lead to the United Kingdom voting to leave the EU. "[W]e have an internal European crisis: an economic, social, moral and political crisis that began ten years ago. Europe hasn't re-lived civil war through armed conflict, but has lived through selfish nationalism."⁸⁴

Of note, the breakdown of the Brexit voter pool is astonishing in how it illuminates a failure of education as well as how the British citizen was influenced. "The British data suggest that cultural and ethnic attitudes, not direct economic motivations, are the real distinguishing features of anti-globalisation voting."⁸⁵ Those who may actually be affected by globalization forces, particularly due to China, voted against Brexit. "The group most directly affected by low-wage competition from immigrants and Chinese imports—people under 35—voted *against* Brexit by a wide margin, 65% to 35%."⁸⁶ Those more likely susceptible in the United Kingdom to misinformation through political rhetoric and biased media forces, however, voted in favor of the referendum. "60% of pensioners who voted backed the leave campaign, as did 59% of voters with disabilities. By contrast, 53% of full-time workers who participated wanted Britain to remain in Europe, as did 51% of part-time workers."⁸⁷ In summation, the Brexit campaign was successful in its goal of grasping onto a nation that was already succumbing to nationalistic forces. "Britain is particularly exposed to these global forces. It is one of the few European countries whose national pride was burnished rather than tarnished by the second world war."⁸⁸

Nigel Farage, the leader of the Brexit movement, would later analogize nationalism in Britain to alcohol. In a 2017 interview, Farage stated: "I think nationalism is a bit like alcohol. A little bit of it actually seems to make the world a better place and makes people feel pretty happy . . . too much is

82. Isabelle Macgregor-Bowles & Devin C. Bowles, *Trump, Brexit, Right-Wing Anti-Globalisation, and an Uncertain Future for Public Health*, 4 AIMS PUB. HEALTH 139 (2017) (footnote omitted).

83. *Id.*; William Booth, Karla Adam & Laura Hughes, *Theresa May Packs Her Bags, Her Legacy Dominated by Failure*, WASH. POST (July 18, 2019, 2:15 PM), https://www.washingtonpost.com/world/europe/theresa-may-packs-her-bags-her-legacy-dominated-by-failure/2019/07/18/7f2dedb0-a7fe-11e9-8733-48c87235f396_story.html.

84. *Emmanuel Macron in His Own Words (English)*, *supra* note 74.

85. Kaletsky, *supra* note 42.

86. *Id.*

87. *Id.*

88. Bagehot, *supra* note 80.

disastrous.”⁸⁹ Farage, though, believed “a sensible balance[d] nationalism is a very, very good thing.”⁹⁰ Since the ineffectiveness of the Brexit plan, Farage has seen many critics. “Farage has done more than any politician in a generation to yank British politics to the hard, nationalist right. He is one of the most effective and dangerous demagogues Britain has ever seen.”⁹¹ *The New York Times* writer Richard Seymour further said of Farage that his “racism is class-bound. Mr. Farage’s problem is not just with immigrants, it seems, but with *poor* immigrants especially: those from Eastern Europe, or Muslim countries . . .”⁹² Seymour further argues that Farage’s Brexit campaign was a success: Farage’s “offer to [his white working class base] is that, in a society of dog-eat-dog competition, they will not have to compete with foreign workers.”⁹³ Once more, fears elicited from painting a picture of a “dog-eat-dog [global] competition” won out.⁹⁴

D. China’s Post-Recession Juxtaposition to the United States and United Kingdom

China, meanwhile, in the years following the Great Recession, has economically blossomed while its government has broadened its authoritarian tendencies. “China, soon to be the world’s largest economy, practices state capitalism, a system that allows government officials to ensure that economic growth ultimately serves political and national interests.”⁹⁵ Chinese citizens for the most part have accepted these changes as the new order with an economy continuing to see growth. But, knowing exactly how the Chinese citizens perceive these changes is difficult. “Judging public Chinese reaction can be difficult in a country where the news media is controlled by the government. Still, so far the average Chinese citizen appears to show little concern.”⁹⁶ It is, however, not difficult to see how the Chinese government would have support as poverty has decreased at an unprecedented amount in recent years within the country.

At the outset of the reforms in 1978, China was poor. It had GDP per capita level similar to Zambia—lower than half of the Asian average and lower than two thirds of the African average.

89. *Nigel Farage: Nationalism Is a Little Bit Like Alcohol . . .*, LBC (Dec. 21, 2017, 7:55 PM) (quoting Nigel Farage), <https://www.lbc.co.uk/radio/presenters/nigel-farage/nigel-farage-nationalism-is-a-bit-like-alcohol/>.

90. *Id.* (quoting Nigel Farage).

91. Richard Seymour, *Nigel Farage Is the Most Dangerous Man in Britain*, N.Y. TIMES (May 28, 2019), <https://www.nytimes.com/2019/05/28/opinion/nigel-farage-brexite.html>.

92. *Id.* (emphasis added).

93. *Id.*

94. *Id.*

95. Ian Bremmer, *The End of the American International Order: What Comes Next?*, TIME (Nov. 18, 2019, 8:05 AM), <https://time.com/5730849/end-american-order-what-next/>.

96. Paul Mozur, *Inside China’s Dystopian Dreams: A.I., Shame and Lots of Cameras*, N.Y. TIMES (July 8, 2018), <https://www.nytimes.com/2018/07/08/business/china-surveillance-technology.html>.

China experienced an average GDP growth of close to 10% per year until 2014, raising per capita GDP almost 49-fold, from 155 current US Dollars (1978) to 7,590 US dollars in 2014, lifting 800 million people out of poverty—an unparalleled achievement. In urban centres in China, poverty has been virtually eliminated.⁹⁷

China's surveillance policy includes installing an immense web of cameras in addition to other mechanisms that the Chinese government has installed in an effort to constantly watch its citizens. "From tracking user activity with mobile phone applications to setting up a 'social credit system' to keep tabs on its people, the world's most populated country is taking surveillance technology to new heights."⁹⁸ In recent years, the Chinese government has shown plans to go even further into making China an authoritarian state. "China is preparing its people for next-level surveillance technology. A recent state-media propaganda film called 'Amazing China' showed off a similar virtual map that provided police with records of utility use, saying it could be used for predictive policing."⁹⁹

The thought of Chinese citizens agreeing to be in an authoritarian state has established fear throughout all of Western society.¹⁰⁰ "The U.S. foreign-policy establishment once believed that as China became wealthier, it would align more with the U.S., or fail. That was just wrong."¹⁰¹ Emmanuel Macron stated on the matter that "the rebalancing of the world goes hand in hand with the rise—over the last 15 years—of China as a power, which creates the risk of bipolarisation and clearly marginalises Europe."¹⁰² The United States and other Western nations misjudged what the balance between economic privatization and citizens' freedoms could be. "[T]echnology increasingly doesn't serve the purposes of liberal democracies. It has moved from undermining authoritarian states to supporting them, as the data revolution [enables] surveillance data and social media. These things make the U.S. weaker and more divided, and make China and other authoritarian states stronger."¹⁰³

In terms of globalization efforts, while the United States and United Kingdom have become entrenched, China simply has taken the other path. Specifically, China has invested in the digital world to great return. A report from the McKinsey Global Institute argues that while "[t]he rapidly growing flows of international trade and finance that characterized the 20th century have

97. Jonathan Eckart, *8 Things You Need to Know About China's Economy*, WORLD ECON. F. (June 23, 2016), <https://www.weforum.org/agenda/2016/06/8-facts-about-chinas-economy/>.

98. Zhou Jiaquan, *Drones, Facial Recognition and a Social Credit System: 10 Ways China Watches Its Citizens*, SOUTH CHINA MORNING POST (Aug. 4, 2018, 10:32 PM), <https://www.scmp.com/news/china/society/article/2157883/drones-facial-recognition-and-social-credit-system-10-ways-china>.

99. Mozur, *supra* note 96.

100. See Norton, *supra* note 1.

101. *Id.* (quoting Ian Bremmer).

102. *Emmanuel Macron in His Own Words (English)*, *supra* note 74 (quoting Emmanuel Macron).

103. Norton, *supra* note 1 (second alteration in original) (quoting Ian Bremmer).

flattened or declined since 2008. . . . digital flows are soaring.”¹⁰⁴ No country has seized on the opportunity for growth in the digital sector more than China. “The MGI Connectedness Index offers a comprehensive look at how countries participate in inflows and outflows of goods, services, finance, people, and data. Singapore tops the latest rankings, followed by the Netherlands, the United States, and Germany. China has surged from No. 25 to No. 7.”¹⁰⁵

China has also changed how it interacts with the global stage through the creation of its sovereign wealth fund, “China Investment Corp., the big sovereign wealth fund of the People’s Republic of China.”¹⁰⁶ The China Investment Corporation (CIC) is a “vehicle that helped invest the country’s massive pile of foreign-exchange reserves abroad through big-ticket deals.”¹⁰⁷ In 2018, the Sovereign Wealth Fund Institute found that the CIC was the second richest sovereign wealth fund in the world, with a total asset pool of \$940 billion.¹⁰⁸ In its ten year anniversary report, the CIC reported the following in terms of its overseas investments: “Grasping opportunities through rigorous research and prudent investments, CIC scored brilliantly, posting a record high of 17.59% net return on overseas investment.”¹⁰⁹ On its strategy, the CIC stated that it has “actively sought innovative approaches and facilitated the creation of a trans-border investment platform to leverage our unique advantages in capital, business networks, and Chinese perspective for value creation.”¹¹⁰

E. Risk Factors for Another Recession

The world has shrunk into itself and some have claimed that this has only heightened the risk of another financial crisis. Moreover, Trump’s trade war with China has itself played a role in creating a risk factor. “All of the tariffs against China combined could cost consumers an average of \$650 per household, according to estimates from Kathy Bostjancic, chief U.S. financial

104. JAMES MANYIKA ET AL., MCKINSEY GLOB. INST., DIGITAL GLOBALIZATION: THE NEW ERA OF GLOBAL FLOWS (2016), <https://www.mckinsey.com/~/media/McKinsey/Business%20Functions/McKinsey%20Digital/Our%20Insights/Digital%20globalization%20The%20new%20era%20of%20global%20flows/MGI-Digital-globalization-Full-report.ashx>.

105. *Id.*

106. Richard Teitelbaum, *Hank Greenberg, AIG, CIC and the Backdoor Bailout*, INSTITUTIONAL INV. (Nov. 21, 2014), <https://www.institutionalinvestor.com/article/b14zbh11v323m9/hank-greenberg-aig-cic-and-the-backdoor-bailout>.

107. Nisha Gopalan, *China’s \$1.4 Trillion Sovereign Wealth Fund Has Gone Quiet*, AUSTL. FIN. REV. (Apr. 8, 2019, 12:30 PM), <https://www.afr.com/companies/financial-services/china-s-1-4-trillion-sovereign-wealth-fund-has-gone-quiet-20190408-p51byg>.

108. *Top 87 Largest Sovereign Wealth Fund Rankings by Total Assets*, SOVEREIGN WEALTH FUND INST., <https://www.swfinstitute.org/fund-rankings/sovereign-wealth-fund> (last visited Dec. 6, 2019).

109. CHINESE INV. CORP., ANNUAL REPORT 2017 (2017), <https://www.ifswf.org/sites/default/files/annual-reports/CIC%202017.pdf>.

110. *Id.*

economist for Oxford Economics.”¹¹¹ U.S. businesses have been significantly affected by the trade war. “Some businesses have scaled back their investments as they wait for a resolution to the trade war. The manufacturing industry is struggling as output declines and hiring contracts.”¹¹² Notably, economists, when questioned why they fear a recession, point to fears elicited from the United States’ trade war with China:

Nearly 3 out of 4 economists surveyed by the National Association for Business Economics expect a recession by 2021, according to poll results released Monday. The outlook reflects growing skepticism among economists and investors that the U.S. economy will be able to withstand a protracted trade war with China without serious harm amid a weakening global outlook.¹¹³

Banks and other large lenders are once more a risk factor as they have largely either not changed their lending strategies that led to the crash, or have taken on new types of risky ventures. “The problems that caused the last crisis have not been fixed. Banks are still lending predominantly towards pre-existing assets such as property, which continue to make up roughly 80 per cent of loans in the US and the UK.”¹¹⁴ Meanwhile, only “10 per cent of new lending goes towards the productive economy, and its proportion has actually decreased since the crash.”¹¹⁵ Resultingly, some have questioned “who might end up holding the bag if the near \$1.3 trillion U.S. leverage loan market goes belly up.”¹¹⁶

The lending-taking-on by the banks, that is arguably most worrisome, is in the form of the Collateralized Loan Obligations (CLO).¹¹⁷ The CLO replaces subprime loan obligations from mortgages, as was the case with CDOs, with subprime loans to corporations.¹¹⁸ The basic structure of how the CLO market works is as follows: “Leveraged loans are extended to corporate borrowers with already sizeable debt loads or poor credit histories.”¹¹⁹ Then, “CLO funds borrow in the bond market to purchase pools of leverage loans, which are then

111. Jonnelle Marte, *3 Out of 4 Economists Predict a U.S. Recession by 2021, Survey Finds*, WASH. POST (Aug. 19, 2019, 5:40 PM), <https://www.washingtonpost.com/business/2019/08/19/out-economists-predict-us-recession-by-survey-finds/>.

112. *Id.*

113. *Id.*

114. Boait, *supra* note 37.

115. *Id.*

116. Joy Wiltermuth, *Most U.S. CLO Debt Owners Are Unlikely to Be ‘Forced Sellers’ in a Downturn, Says Bank of America*, MARKETWATCH (Sept. 10, 2019, 12:52 PM), <https://www.marketwatch.com/story/most-us-clo-debt-owners-are-unlikely-to-be-forced-sellers-in-a-downturn-says-bank-of-america-2019-09-10>.

117. See Lisa Lee et al., *Trouble Brews for American Companies That Gorged on Cheap Credit*, BLOOMBERG (Oct. 23, 2019, 4:00 AM), <https://www.bloomberg.com/news/articles/2019-10-23/risky-loans-in-the-clo-market-could-be-trouble-for-u-s-companies>.

118. *See id.*

119. Wiltermuth, *supra* note 116.

managed by the fund for a fee.”¹²⁰ “Bondholders of CLOs are entitled to proceeds when corporate borrowers make their loan payments, but also run the risk of being wiped out if enough loans in a pool default.”¹²¹ This type of lending strategy mirrors the CDO: “Just like its close cousin, the much-castigated collateralized debt obligation, it’s a tool used to package a bunch of high-risk debt together—mortgage bonds for CDOs, corporate loans for CLOs”¹²²

Yet, today the CLO has become a very popular lending choice by banks and lenders. “By providing abundant cheap funding to the less creditworthy end of the market, it’s helped grease the wheels of the longest expansion in U.S. history.”¹²³ The steady stream of private equity deals as well as low U.S. interest rates have “only stoked investors’ willingness to gamble on riskier assets, the CLO market has more than doubled since 2010, to \$660 billion.”¹²⁴ As such, “[c]ollateralized loan obligations (CLOs), which own nearly half of all U.S. leverage loans, would seem an obvious pain point if the economy sours and makes it harder for companies to keep up on their debts.”¹²⁵

In summation, “economies such as the US and the UK are being kept afloat by an asset-price bubble and high levels of private debt, rather than by productive investment which actually serves to create new wealth.”¹²⁶ And, some have argued that the United Kingdom is particularly vulnerable. “The UK faces the highest risk of recession of any of the 13 economies for which The Conference Board tracks business cycles.”¹²⁷

III. RECOMMENDATIONS

A. Avoid Future Entrenchment in Case of Another Recession

The rise of globalization in the 2000s showed that globalization, in terms of economically benefitting citizens in the United States and United Kingdom, was undoubtedly a mixed bag. However, as stated by France’s Emmanuel Macron, the United States and United Kingdom pulling away from the rest of the world now only serves to not only hurt the allies of these countries—such as France—but the countries themselves.¹²⁸ “[G]lobalization has become such

120. *Id.*

121. *Id.*

122. Lee et al., *supra* note 117.

123. *Id.*

124. *Id.*

125. Wiltermuth, *supra* note 116.

126. Boait, *supra* note 37.

127. Ilaria Maselli, *The Risk of a UK Recession Is Growing*, FIN. TIMES (Sept. 18, 2018), <https://www.ft.com/content/07f500bc-ba97-11e8-8dfd-2f1cbc7ee27c>.

128. See Emmanuel Macron in His Own Words (English), *supra* note 74.

an elemental feature of life that it is probably irreversible.”¹²⁹ Moreover, globalization’s effect on “making modern goods, from airplanes to medical devices, has become so mind-bendingly complex, involving components drawn from multiple continents.”¹³⁰ Entrenching further from globalization “will not prompt companies to swiftly close factories in China and Mexico and replace them with plants in Ohio and Indiana.”¹³¹

Importantly, while the entrenchment of the United States and United Kingdom has slowed the global market, other countries have picked up the pace in their stead. Analysis conducted by the World Trade Organization (WTO), shows how further entrenching can pose a risk to the economies of the United States and United Kingdom. A report conducted by the WTO found that “[w]orld merchandise trade growth is expected to remain strong in 2018 and 2019 after posting its largest increase in six years in 2017.”¹³² In 2018, there was “merchandise trade volume growth of 4.4%.”¹³³ “Growth is expected to moderate to 4.0% in 2019, below the average rate of 4.8% since 1990 but still firmly above the post-crisis average of 3.0%.”¹³⁴ The WTO, moreover, warns that the “use of restrictive trade policy measures and the uncertainty they bring to businesses and consumers could produce cycles of retaliation that would weigh heavily on global trade and output.”¹³⁵

The United States and United Kingdom should further take keen note from the WTO that “acceleration of world merchandise trade volume growth to 4.7% in 2017 from 1.8% in 2016 was broad based, driven by rising import demand across regions but most notably in Asia.”¹³⁶ Most importantly, world trade’s “largest gains were recorded on the import side in developing economies, where trade growth surged to 7.2% in 2017 from 1.9% in 2016.”¹³⁷ The United States and United Kingdom further entrenching these markets is imposing a lost opportunity upon themselves. Upsetting Asian countries and entrenching from them is not good strategy as “Asia had the fastest trade volume growth of any region.”¹³⁸ Furthermore, “Asia was responsible for much of the recovery . . . in 2017 on both the export and import sides.”¹³⁹ Meanwhile, according to the WTO, Brexit had its own negative effects on the United Kingdom. “The

129. Peter S. Goodman, *Globalization Is Moving Past the U.S. and Its Vision of World Order*, N.Y. TIMES (June 19, 2019), <https://www.nytimes.com/2019/06/19/business/globalization-us-world-order.html>.

130. *Id.*

131. *Id.*

132. *Strong Trade Growth in 2018 Rests on Policy Choices*, WORLD TRADE ORG. (Apr. 12, 2018), https://www.wto.org/english/news_e/pres18_e/pr820_e.htm.

133. *Id.*

134. *Id.*

135. *Id.*

136. *Id.*

137. *Id.*

138. *Id.*

139. *Id.*

fluctuations in the United Kingdom may have been partly due to the uncertainty introduced by the Brexit referendum”¹⁴⁰

The WTO has further pointed out the United States and United Kingdom as specifically at risk due to their “rising tide of anti-trade sentiment and the increased willingness of governments to employ restrictive trade measures.”¹⁴¹ Like other institutions, the WTO highlights the risk entrenchment may have on the United States and United Kingdom if there were to be an economic downturn.

Another major risk is an unanticipated hike in inflation in one or more countries, which could cause monetary authorities to raise interest rates precipitously and cause economic growth to slow, with negative consequences for trade. The United States Federal Reserve is already in the process of raising interest rates closer to historical norms while the European Central Bank is moving closer to phasing out its own stimulus measures.¹⁴²

B. Accurately Acknowledge and Take Action on the Risk China Poses

The political leaders in the United States and United Kingdom should follow the lead set by France’s President Emmanuel Macron. Macron has proposed that NATO countries stand united in order to handle the issues stemming from China becoming a global power and the resulting risks this poses to the countries of the NATO alliance. Macron argues that NATO countries should work together to share information on China and create a strategy to adequately address these risks. “We’re in a geopolitical situation where no one can really describe China’s budgetary state. We assume they’re going for it, they’re investing massively.”¹⁴³ Macron thus argues that NATO nations need to further invest in strategies together as “it’s the only way to prevent Russia, Turkey and China from being the kingmakers in these countries.”¹⁴⁴ Macron is also right when he stated that what makes sense is for the United States, United Kingdom, France, and the other NATO powers to agree that “[w]e’ll make an effort, we’ll invest, we’ll tell our businesses to go full speed ahead, we’ll spend on development, on culture, education.”¹⁴⁵

Macron’s comments were poignantly made in rebuke to the current strategies being employed by the United States to fight China. In the United States, rather than work with allies, “Trump’s zero-sum approach to trade has kicked off a competition among nations to shape the future of globalization.”¹⁴⁶ The result has been that Trump’s “tit-for-tat tariff war with China has prompted

140. *Id.*

141. *Id.*

142. *Id.*

143. *Emmanuel Macron in His Own Words (English)*, *supra* note 74 (quoting Emmanuel Macron).

144. *Id.* (quoting Emmanuel Macron).

145. *Id.* (quoting Emmanuel Macron).

146. Donnan, *supra* note 60.

companies to reevaluate supply chains. It's not clear that the U.S. is going to come out the winner, though."¹⁴⁷ A recent case study of BMW shows how this can be a big problem for the United States. Importantly, "as BMW's experience shows, China isn't just an export platform, it's also an important market for many businesses. Any effort to extricate the country from supply chains may have its limits."¹⁴⁸

Consider the case of German carmaker BMW AG. Its plant in Spartanburg, S.C., which makes X3 and X5 SUVs, is one of its biggest in the world and has been a major source of U.S. auto exports to China. Yet, starting this year [2018], the carmaker also began building the X3 in China to avoid the 40 percent duties Beijing now charges on American-made autos.¹⁴⁹

Meanwhile, under Trump the United States appears to have no coherent strategy on how to actually win the trade war with China.¹⁵⁰ In 2017, President Trump opened his publicly released statement entitled the *National Security Strategy of the United States of America* with the following remarks:

During my first year in office, you have witnessed my America First foreign policy in action. We are prioritizing the interests of our citizens and protecting our sovereign rights as a nation. America is leading again on the world stage. We are not hiding from the challenges we face. We are confronting them head-on¹⁵¹

Yet, since making these remarks that were largely aimed at China, "Mr. Trump and cabinet officials, distracted by Iran and other foreign policy matters, have failed to outline a coherent strategy."¹⁵² In fact, "Mr. Trump's closest advisers on China are split on strategies,"¹⁵³ and "[m]idlevel bureaucrats are formulating their own ideas."¹⁵⁴

France's Emmanuel Macron has, however, in his remarks proposed a strategy to fight China in the global arena that might actually work.¹⁵⁵ Macron's strategy might simply work because it is the strategy that has worked for years. The strategy Macron proposes in its simplest terms is a return to the large-scale corporation amongst the allied winners that has taken place since World War II

147. *Id.*

148. *Id.*

149. *Id.*

150. See Edward Wong, *U.S. Versus China: A New Era of Great Power Competition, but Without Boundaries*, N.Y. TIMES (June 26, 2019), <https://www.nytimes.com/2019/06/26/world/asia/united-states-china-conflict.html>.

151. Press Release, President Donald J. Trump, *National Security Strategy of the United States of America* (Dec. 2017), <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>.

152. Wong, *supra* note 150.

153. *Id.*

154. *Id.*

155. *Emmanuel Macron in His Own Words (English)*, *supra* note 74 (quoting Emmanuel Macron).

up until these recent years.¹⁵⁶ The alliance of NATO nations in some way set a precursor that made the globalization boom of the early 2000s possible by having trade agreements and constant communication among strategically aligned nations already in place. The Great Recession and political infighting within the United States and United Kingdom have now caused these countries to turn their backs against their allies and even assign blame to them as outsiders when what really should be undertaken is cooperation amongst all these nations.

Kiron Skinner, head of policy planning at the State Department in 2018, adeptly described the threat China poses to the United States' economic position in the world. In a 2018 speech, Skinner stated that “[i]n China, we have an economic competitor, we have an ideological competitor, one that really does seek a global reach that many of us didn’t expect a couple of decades ago.”¹⁵⁷ As Skinner accurately stated, it is time “to take the rose-colored glasses off and get real about the nature of the threat. And, I think we also have to give a kind of respect for, I think, what the Chinese seek to accomplish.”¹⁵⁸

C. The United States and United Kingdom Should Reverse Course

The question the United States and United Kingdom need to address now is obvious; “the open question is whether the United States and Europe, having already borne the costs of competition with the developing world, will stick with open trade long enough to enjoy its benefits.”¹⁵⁹ The answer, yet, is much less obvious. If the leadership of the United States and United Kingdom do not come out of this nationalist wave and produce an actual strategy that once more positions themselves as leaders in the global economy, a recession or event in the outside world could leave these countries at a substantial risk of economic failure. In November 2019, Ian Bremmer further sounded the alarm by asking important questions regarding how the United States and United Kingdom could be affected if these countries do not change course in the event of an economic calamity. Bremmer, first adeptly summed up the actions taken by the United States under Trump:

The Trump administration has threatened the coherence of NATO, the most successful military alliance in history (French President Macron certainly seems to agree), and has withdrawn the US from the Trans-Pacific Partnership trade deal, the Intermediate-Range Nuclear Forces treaty with Russia, the UN Human Rights Council, and the Paris Climate Accord, to name only a few.¹⁶⁰

156. *Id.*

157. Joel Gehrke, *State Department Preparing for Clash of Civilizations with China*, WASH. EXAMINER (Apr. 30, 2019, 12:00 AM) (quoting Kiron Skinner), <https://www.washingtonexaminer.com/policy/defense-national-security/state-department-preparing-for-clash-of-civilizations-with-china>.

158. *Id.* (quoting Kiron Skinner).

159. Irwin, *supra* note 11.

160. Bremmer, *supra* note 95.

Bremmer solemnly then stated that the “inevitable consequence of all this is a world that has become more unpredictable and much less safe. There is little chance in this environment to establish new agreements and new institutions to help manage tomorrow’s crises.”¹⁶¹ Bremmer also helpfully posed hypotheticals that soon could become very real. One example of these hypotheticals: “What if a debt crisis hits Italy, created when a future Italian government defies EU budget rules and inadvertently creates a financial crisis too large for lenders to manage?”¹⁶² What would happen as a result is unknown.

Before the next recession or large-scale economic attrition hits the world, citizens in their sentiments within the United States and United Kingdom and the political leaders in these countries must take active measure to start blaming those that are truly responsible rather than instead blaming the “others.” Trumpism and Brexit are not the answer to a prospering China. At their core, these events prop up division at a time when it is too late. The United States and United Kingdom cannot afford to entrench any further from the global market. China has punished the West for the economic entrenchment that occurred after the recession. China, to the surprise of the United States and United Kingdom, has proven that it has made a successful agreement with its citizens which compromises some of their freedoms in order to profit from a globally integrated China which is self-reliant and has replaced Western powers as an investor for developing nations.

The discussion concerning globalization in the United States and United Kingdom, led by the current political leaders, has only focused on the negatives of globalization. This needs to change. The simple fact is that the economy is global, and the world is interconnected in a way that simply cannot be reversed and ignored. Pulling away further from the rest of the world now only serves to ensure more harm to the United States and United Kingdom.

161. *Id.*

162. *Id.*