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# "From embedded liberalism to the neoliberal growth paradigm: is the United States still willing to be in charge of the ILO?"

Florent Pepin-Proulx

Global Studies Institute
10, rue des Vieux-Grenadiers
1205 Geneva
https://www.unige.ch/gsi/fr/

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**Abstract:**
Donald Trump's election heralded the end of a bipartisan consensus as to the role the United States ought to play in underpinning the international liberal order (LIO), whose foundations were laid in Washington in the wake of World War II. I argue that the core conditions that allowed for the US to establish itself as the undisputed hegemonic champion of the ILO, namely internal economic stability and social cohesion, are now lacking. The demise of the Fordist-Keynesian growth model in the 1970s, and that of the neoliberal credit-led model in the 2000s, has reignited the isolationist tendencies that characterised the dominant thinking amongst both the American polity and elites for most the of history of the Republic before 1941. The ILO has become equated, in the mind of many of its stakeholders, with a neoliberal growth model that is fracturing the social fabric and exacerbating structural inequalities. With President Trump, a large segment of the American public has decided to throw the baby with the bathwater. For partisans of the US-led ILO, the challenge as therefore to (re)assemble a political coalition that would keep supporting a durable domestic commitment to it. The wide coalition of voters and producer groups that came to support a deeper American involvement in the international political economy has fallen apart, in good part because political entrepreneurs have failed to adapt the domestic political economic model to new secular and normative realities. Such a failure has come to produce a critical mass of economically dissatisfied voters and sectoral interests.

L'élection de Donald Trump a annoncé la fin d'un consensus bipartite quant au rôle que les États-Unis devraient jouer pour soutenir l'ordre libéral international (OLI), dont les fondations ont été jetées à Washington au lendemain de la Seconde Guerre mondiale. Je soutiens que les conditions fondamentales qui ont permis aux États-Unis de s'établir comme le champion hégémonique incontesté de l'OIT, à savoir la stabilité économique interne et la cohésion sociale, font désormais défaut. La disparition du modèle de croissance fordiste-keynésien dans les années 1970, et celle du modèle néolibéral fondé sur le crédit abondant dans les années 2000, a ravivé les tendances isolationnistes qui caractérisaient la pensée dominante à la fois du peuple américain et de ses élites pendant presque toute l'histoire de la République. L'OLI est devenue synonyme, dans l'esprit de nombre de ses parties prenantes, d'un modèle de croissance néolibéral qui fracture le tissu social et exacerbe les inégalités. Avec le Président Trump, une grande partie du public américain a ainsi décidé de jeter le bébé avec l'eau du bain. Pour les partisans de l'OLI dirigé par les États-Unis, le défi consiste donc à (ré)assembler une coalition politique qui continuerait à soutenir un engagement national durable à son égard. La large coalition d'électeurs et de groupes de producteurs qui sont venus soutenir une implication plus profonde des États-Unis dans l'économie politique internationale après la Seconde Guerre s'est effondrée, en grande partie parce que les entrepreneurs politiques n'ont pas réussi à adapter le modèle économique politique national aux nouvelles réalités économiques séculaires. Un tel échec est venu à produire une masse critique d'électeurs et d'intérêts sectoriels économiquement insatisfaits.

**Keywords:** United States, foreign policy, embedded liberalism, isolationism, international liberal order

**Author:** Florent Pepin-Proulx

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**"From embedded liberalism to the neoliberal growth paradigm: is the United States still willing to be in charge of the ILO?"**

Florent Pepin-Proulx
GSI, UNIGE

## Introduction

The International Liberal Order (ILO), vaguely understood as a regime that is "open, loosely rule-based and in which states trade and cooperate to achieve mutual gains," first emerged when Great Britain embraced free trade and repealed the Corn Laws (Ikenberry 2011, 19). A majority of states then agreed on a set of rules and conventions organised around "the expansion of a global system of commerce organised around open trade, the Gold Standard, and freedom of the sea," but also on "democratic governance within nation-states, individual rights, free markets, a free press, and the rule of law" (Ikenberry 2011, 16; Posen 2014, 6). The system collapsed in 1914 and never fully recovered during the inter-war period. However, in the aftermath of World War II (WWII), the ILO re-emerged under the auspice of the US, which became its new hegemonic champion. The American elite was convinced that the demise of the British-led ILO had led to the emergence of "mercantile blocs, sphere of influence, imperial zones and closed regions," and had helped "set the great powers on the path to WWII" (Ikenberry 2018, 12; Kupchan & Trubowitz 2013, 122). Washington therefore sought to rebuilt a more robust international order that would couple internationally stability with domestic autonomy and prosperity. The post-war ILO, was conceived by its architects so as to "enable [allied] governments to embrace trade [liberalisation] while minimizing the vulnerability of economic dislocation" (Pepinsky 2017, 4). In sum, it was an international order in which "liberalism was […] embedded within a system of democratic nation states that […] retained the ability to set national economic policies to meet the demands of their citizens," as opposed to the British-led LIO, which imposed automatic internal adjustments that proved costly and overly rigid (Pepinsky 2017, 4; Ruggie 1982, 387).

Ever since 1945, the international distribution of power has been deeply altered. To start with, America's structural position within the world order is diminished (Posen 2014). Whilst it remains, and by far, the world's largest economy, with the most liquid markets, and the "leading power [with] the strategic and military capacity to shape international relations and institutions," a re-emerging China will most likely prove an even more formidable competitor than the USSR has been (Eichengreen 2015, 195; Posen 2014, 18). The United States (US), which accounted for half of the world's output in 1950, now just account for a little less than 25% (Norrlof 2018, 74). Proponents of the hegemonic stability theory (HST), -which posits that international regimes are often brought to their knees when the hegemon underpinning them suffer absolute or relative decline- would argue that this eventual change of the guard also irremediably heralds the demise of the ILO (Snidal 1985). Thus, America's decline also heralds the demise of the ILO, unless another power or group of powers are willing to keep underpinning it, alongside American (Posen 2014, 62). Yet, drawing on Ruggie (1982) and Frieden (1988), I would somewhat nuance this thesis. Indeed, the major problem facing the ILO today is not so much America's relative decline, but rather that it has become equated, in the mind of many stakeholders, with a neoliberal growth model that is fracturing the social fabric and exacerbating structural inequalities (Stokes 2018, 148; Burgoon et al. 2016, 4).

America has thus been growing increasingly domestically polarised since the end of the Cold War, and is therefore increasingly tempted to retrench on domestic issues instead of remaining the "indispensable nation" underpinning the ILO which large segments of the polity distrust. I therefore argue that a hegemon will play a stabilising role only if it can "reconcile national economic priorities with internationalism" (Frieden 1988, 84). As the US, along with the rest of the world, has experienced profound secular economic changes since the end of WWII, partisans of the ILO in Washington are struggling to (re)assemble a political coalition that would keep supporting a durable domestic commitment to the ILO. In other words, the domestic institutions that allowed for the formation of a stable coalition supporting the US' deep involvement in the ILO did not sufficiently involve in relation to the secular economic changes - those "long-run developments that are driven by deep-seated but slow-moving economic dynamics"- experienced since the end of WWII (Moretti 2012, 7). The wide coalition of voters and producer groups that came to support a deeper American involvement in the international political economy has fallen apart, in good part because political entrepreneurs have failed to adapt the domestic political economic model to new secular and normative realities. Such a failure has come to produce a critical mass of economically dissatisfied voters and sectoral interests. The US started underpinning the liberal international order for normative and economic reason and is now questioning it for the very same reasons.

## The reluctant hegemon and the protective response

The US emerged from WWII with military, economic and political clout unparalleled in the history of humankind. Its national economy accounted for half of the world's output, its military was firmly entrenched in every continent, the New York Federal Reserve (FED) possessed the overwhelming majority of international gold reserves and the dollar was the world's currency reserve (Eichengreen 2015, 195; Stokes 2018, 138; Posen 2014, 18). Yet, by all accounts, the US' relative position was no novelty. Indeed, the country had already acquired the pole position in the concert of nations in the wake of the First World War (WWI), as it had financed "the victorious war effort and provided most of the war material that went into it" (Frieden 1988, 60). Its industry was already the world's most productive, and the changing of the guard on the international exchange market had already been acted, with the dollar now surpassing the pound in terms of trading volume (Eichengreen 2015, 46). If, as argued by hegemonic stability theorists, an ILO comes into being from the moment "economic capabilities are so concentrated that a hegemon exists," the United States should have taken the lead directly after WWI (Ruggie 1982, 381). Indeed, by all accounts, the "US was capable of hegemonic action [and President] Wilson had hegemonic plans" (Frieden 1988, 60). Yet, the inter-war period was instead characterised by a US withdrawal from world affairs after a brief incursion following April 1917. That raises the question as to what factors explain first the American dithering on international affairs between the World Wars, followed then by a full commitment to the ILO after 1945.

From 1918 onwards, the US was thus objectively in a position of strength vis-à-vis its European partners. The stakes of a number of its capitalist and industrial actors were already important and kept growing a strong rate in Europe. American economic development had been mostly inward-oriented up until WWI, protected behind tariffs barriers that constituted a "defensive response to the competitive winds of market integration as transport costs declined" (O'Rourke & Williamson 1999, 35). In the aftermath of WWI, Europe's sudden and massive need for capital investment convinced American bankers and foreign direct investors to jump on the reconstruction bandwagon, thereby gaining significant foothold in Europe (Frieden 1988, 62). The State Department, but especially the FED, were both advancing the investors' interests in Europe, but also back in Washington (Eichengreen 2015, 48). The financial interests and their allies in the federal apparatus naturally pushed for freer trade and for the US' adhesion to the League of Nation. Indeed, there were growing concerns about potential retaliation against American interests due to the presence of high tariff barriers protecting the manufacturing sector (Frieden 1988, 62). Furthermore, European exports to North America had become necessary for them to earn foreign exchange and to service debt. Large American capital owners thus pushed for their country to further open up to trade, but also to provide some security guarantees to an ailing Europe. For them, the US had to take up the internationalist torch where the British had left it.

On the other hand, the manufacturing sector and labour, which enjoyed powerful relays in the Senate and in the executive branch, took an isolationist posture. With "little or no international sales," they opposed trade and capital liberalisation, fearing it would prop up foreign competition, increase the cost of money and induce unemployment and precarity (Frieden 1988, 47). In the end, with the Senate's refusal to allow for the US to join the League of Nations and to lower tariff barriers, the manufacturing and labour interests succeeded at curbing "globalisation-induced inequalit[ies by pushing for the] autarkic policies that dominated between 1914 and 1950" (O'Rourke & Williamson 1999, 169; Kupchan & Trubowitz 2013, 119). They also succeeded at restricting immigration, which "accounted for much of the poor real wage performance and rising inequality from the 1890s to WWI" (O'Rourke & Williamson 1999, 167). These sectoral interests thus carried the day right after WWI, in that they thwarted most of the FED and State Department's attempts at liberalising trade and lifting tariffs (Frieden 1988, 63). In the end, the internationalists' best efforts were thwarted by competing sectoral economic interests who feared for their own welfare. The sectoral and political constituents in favour of a deeper international engagement had failed to "assemble coalitions of support for [their proposed] new policy regime" that would have involved the reconfiguration of the domestic industrial fabric (Hall 2015, 4). Thus, the inter-war period was primarily characterised by an international power vacuum, between a declining hegemon, the UK, and a reluctant one, the US, unwilling to stand up and take responsibility. Only the dual shock of the Great Depression followed by WWII would eventually realign America's domestic interests in a way conducive to the emergence of a US-led ILO.

When FDR came to power in March of 1933, the very manufacturing sector that had stymied the redefinition of America's foreign policy in the 1920s, was in disarray (Feinstein et al. 2007, 133). Worried about the resilience of the social fabric, he resigned himself to doing what others before him had refused; to pull the US out of the Gold Standard, a rigid monetary system that induced a powerful deflationary dynamic for countries in current account deficit (Frieden 1988, 84). The dollar's devaluation, combined with a fiscal stimulus, moved the US out of the economic quagmire (Feinstein et al. 2007, 135). Yet, pulling out of the Gold Standard represented a major breach of international monetary cooperation which, since the mid-nineteenth-century, had underpinned a liberal international order characterised by "open trade, the Gold Standard [and which] hinged on the cooperation of liberal democracies adhering to open trade and collective security" (Ikenberry 2013, 94). FDR had grown convinced that cooperation with the remaining member of the Gold Standard system posed an "insurmountable obstacles to a stabilisation agreement that would allow for American economic recovery" (Frieden 1988, 84). By leaving the Gold Standard, even for a few months, the American administration, along with many of its European counterparts, tacitly acknowledged that the old ILO, underpinned by Britain, was definitively dead and buried. Industrialised nations came to understand that an international order based on quasi-perfect price flexibility, small states and atomised labour was ill-adapted to the post-WWI realities (Ruggie 1982). Indeed, the slow massification of labour unions, the rise of government spending that came along with the expansion of suffrage rendered prices and wages sticky (Feinstein et al. 2007, 127). The breakdown of international cooperation was therefore not simply the result of national withdrawals and entrenchments "in the defense of [national] economic and political interests, as perceived by domestic constituencies" (Feinstein et al. 2007, 140). It was also caused by the unsustainability of the economic system and international order underpinned by the Gold Standard. As national realities had changed, so had the international economic system. It was on this basis the New Dealers sought to rebuild a LIO adapted to those new realities.

The New Deal helped solve the internal sectoral conflict that had plagued US' foreign policy throughout the 1920s and first half of the 1930s. The establishment in 1935 of the Social Security Act finally broke "with the country's small-government past and [constituted] a decisive step toward the modern welfare state" (Eichengreen 2018, 68). The same year, the Wagner Act secured "collective bargaining rights," thus empowering labour against capital (Thelen 2014, 38). The Federal Emergency Relief Administration (FEMA) provided jobs for the unemployed, whilst major public work programs put back millions to work. Whilst the New Deal alleviated the worst of the slump, it also respected the "priorities of business [by] maintaining the economic and political status quo" (Eichengreen 2018, 69). FDR was not only able to contain the rise of left populism, but also to forge a new political alliance between the North-eastern industrialists, which were slowly "coming to favour a more activist role for the US in liberalizing and stabilizing the international system," and South economic interests, which depended on the stability of international markets to export raw materials (Kupchan & Trubowitz 2013, 123). It slowly paved the way for the reconciliation between sectoral interests that had been at odds for most of the interwar period, thus forging a domestic consensus in favour of the projection of American power abroad. The New Deal society, combined with America's economic and military might, was in a sense the domestic premise of the post-war ILO, the Bretton Wood system, it that it offered a protective layer to sectoral interests exposed to international competition and secured their commitment to the US' power projection.

## National unity behind a US-led ILO

As mentioned above, the US emerged from WWII with unparalleled power. This time, all the conditions were met for the US to stand up to its hegemonic role. Although the American welfare state remained relatively modest in terms of both coverage and generosity, and suffered rollbacks early on, it still provided labour with sufficient guarantees in case of displacement (Thelen 2014, 38). Without the existence of such welfare programs legislations favourable to labour, "it is hard to imagine that there would have been a durable consensus for policies that delivered rapid economic growth and tolerance of structural change" induced by international economic competition (Eichengreen 2018, 102). Furthermore, as the European manufacturing sector was severely damaged, American capitalists were confident they would preserve the upper hand in the foreseeable future. They were also confident they would benefit from the international situation, as a capital-scarce Europe would need funding for reconstruction. In a nutshell, the Bretton Wood system thus "enabled governments to embrace global trade while minimizing the vulnerability and economic dislocation that might follow" (Pepinsky 2017, 4). It allowed for capital control combined with pegged but adjustable exchange rates, so as to prevent the deflationary tendencies that characterised the pre-war Gold Standard system (Eichengreen 2001, 91). The International Monetary Fund (IMF) was mandate to correct balance-of-payment disequilibria, and governments were allowed to regulate "financial markets to channel credit toward strategic growth" (Eichengreen 2001, 92). From an economic standpoint, the Bretton Wood system thus allowed for the emergence of what Ruggie (1982) coined "embedded liberalism," that is, an international economic system in which "multilateralism would be predicated upon domestic interventionism" on both sides of the Atlantic Ocean (393). Whilst governments became substantially more committed to economic multilateralism and free trade than during the inter-war period, lowering tariff barriers through GATT rounds, they also "promised to minimize socially disruptive domestic adjustment costs as well as any national and politically vulnerabilities" that might arise because of economic integration (Ruggie 1982, 399). Thus, for the whole of the *Trente Glorieuses*, as nations were "allowed to specialise along lines of comparative advantage […] while avoiding trade and financial shocks," Montesquieu's *doux commerce* proved to be more than a hollow phrase (Eichengreen 2018, 96).

In the 30 years that followed the end of WWII, unprecedented productivity growth and full employment translated into rising wages, as labour saw its bargaining power increase and as overall output went up at a sustained pace (Hope & Soskice 2016, 210). There were plenty of low-hanging fruits, as "productivity could often be increased by moving the labour force from agriculture into manufacturing where Fordist methods of production rendered semi-skilled labour more productive" (Hall 2015, 8). With a satisfied and unified polity, the US lawmakers and state agencies "coalesced around a common [and coherent] strategy" (Kupchan & Trubowitz 2013, 118). The American establishment, which had hitherto been divided on issues such as foreign policy and trade, was prompt to admit that in the wake of WWII, the US' national interest had become globalised (Stokes 2018, 138). The main electoral class cleavage divided "manual and lower-level non-manual workers from a middle class composed of white-collar employees [or] managerial positions" (Hall 2015, 12). Still, both major parties had to appeal to the middle ground, and polarisation, although inherent to a Downsian party competition system, was moderate. The New Deal and subsequent welfare developments, along with Bretton Wood institutions, helped overcoming mercantilist and protectionist lobbies and constituencies which had hitherto dominated the US' political scene (Kupchan & Trubowitz 2013, 122). It shielded American foreign policy from forces seeking a deviation from multilateralism, in that it strengthened cross-class and cross-sector consensus as to the economic benefits of the ILO.

### The unravelling of Bretton Wood and the coercive face of America's hegemony

In 1948, the US detained two-thirds of the world's gold reserve, and guaranteed convertibility between gold and dollar at a constant price (Eichengreen 2001, 109). Foreign currencies were all pegged to the USD, and the system was running rather smoothly, as the US kept running current account surpluses, thereby safeguarding its gold reserves. European countries could adjust their exchange rate so as to maintain their current account at equilibrium. The system worked as long as there "was no question about [the] convertibility [of dollars] into gold" (Eichengreen 2001, 114). But as US liquidity started to exceed gold reserves in 1960, with Japan and West Germany catching up technologically, it slowly became clear that the system was unsustainable, as predicted by Triffin (Eichengreen 2015, 73). In a sense, America's relative decline was the ultimate demonstration of the formidable success of the US-led ILO. Indeed, in the space of only a few years, it "reintegrated […] Japan and Germany, who went on to become the second and third largest economies in the world" (Ikenberry 2013, 94). Yet, the situation did not please many of America's partners, starting with the French, who started to question the FED's ability to convert all of the dollars in circulation into gold. Jacques Rueff, de Gaulle's key economic adviser, "took on the task of criticising America's exorbitant privilege," arguing that the Bretton Wood system allowed the US to create wealth out of thin air, by simply inflating its monetary supply (Brunnermeier et al. 2016, 55).

After a few multilateral attempts with the European to save the gold parity, the US put an end to multilateral monetary cooperation as it became clear that gold convertibility was unsustainable. The FED's gold reserves were shrinking at a sustained pace, as it became obvious that the actual price of gold was above the peg. In December 1968, Washington announced that the US Treasury "no longer stood ready to covert dollar into gold foreign Central Banks and governments" (Eichegreen 2015, 88). And in August 1971, Nixon finally put an end to the post-War Gold Standard, imposing by the same token a "10% surcharge on merchandises imports to pressure other countries into revaluing" their own currencies, so as to restore America's competitiveness on international markets (Eichengreen 2001, 131).

Although Nixon's decision did not, in the end, irremediably compromised the ILO, it nonetheless demonstrated that when America's vital interests were on the line, Washington was prepared to act in a coercive manner. As the ascendency changed and that both Japan and Germany's export-led growth model began to threaten its manufacturing interests, the US turned its back on its multilateral commitments and acted unilaterally. The US political elite was no longer willing to play by the rules of the Bretton Wood game, which would have commanded to adjust America's "macroeconomic policy to insure to ensure the stability of the dollar against gold" (Stokes 2018, 141). Johnson's Great Society welfare programs, combined with the full American commitment to the Vietnam War, further exacerbated the US' current account deficit, and therefore the depletion of its gold reserves (Eichengreen 2007, 31). By virtue of its sheer strength, the US "force[d] adjustment costs onto the rest of the world," unwilling to "adjust to [the] requirements" of a system that it no longer found favourable (Frieden 2015, 4). Although many at the time predicted the end of the US-led ILO, as it was clear that America had suffered relative decline since the end of WWII, the preponderance of the dollar endured (Ruggie 1982, 407; Norloff 2014). There remained a common enemy to fight, and the polity, after years of sustained economic growth, was still largely satisfied with its political elite. Thus, the unravelling of the monetary system, which revealed to the world America's relative decline vis-à-vis its close partners, did not fragilize the ILO in the way many expected. It nonetheless showed America's potential to act unilaterally when its core economic interests were threatened. For the first time since 1945, and with regard to a core element of the post-war ILO, the US behave as a coercive hegemon towards its allies, in that it sought to recover the costs incurred by the monetary system from other states (Stokes 2018, 134).

**The slow demise of embedded liberalism in America**

The end of gold convertibility heralded an unexpected but drastic shift in the Western world. On both sides of the Atlantic Ocean, growth came to a halt (Eichengreen 2018, 103). Many factors are at the origin of this sudden stop. As budget deficits skyrocketed following the first oil shock, it became harder for national governments to fulfil the promise of embedded liberalism, namely that the "movement toward greater openness in the international economy [would be] coupled with measures designed to cushion the domestic economy from external disruptions (Ruggie 1982, 405). Low-hanging fruits in terms productivity growth in the industrial core were becoming increasingly rare, especially in the US (Hall 2015, 14). Productivity gains accruing from the rapid increase in education levels had mostly been exhausted (O'Rourke & Williamson 1999, 169). Excessive union militancy induced a "wage drift," whereby wages in peripheral service sectors kept growing at a faster pace than productivity increases, which became even more unsustainable as the 1973 oil shock inflated prices across the board (Thelen 2014, 60). In a sense, the Bretton Wood growth model was a victim of its own success. Indeed, as the post-war macroeconomic regime sustained full employment "over the long run [it] consistently push[ed] the median wage" above productivity gains, which led "to capital defecting from [the Bretton Wood compromise]" (Blyth & Hopkins 2018, 5). Excessive levels of inflation acted as a "tax on investment, which […] retard[ed] present investment by dampening long-term investment expectation" (Blyth & Hopkins 2018, 5).

The Bretton Wood capital control mechanisms were removed one after the other, with the hope that FDIs would pour in so as to accelerate sluggish productivity growth. But the liberalisation of capital weakened the labour movement, but also national governments, henceforth "held to ransom by mobile capital," which compelled them to move tax systems in a more regressive direction "by shifting the burden away from mobile capital and onto immobile labour" and consumption (Garrett & Mitchell 2001, 162). Although there is a debate in the literature as to whether the free flow of capital has led to welfare retrenchment, it certainly induced more market discipline upon governments and domestic firms (see Rodrik 1998; Busemeyer 2009). As governments were growing more indebted, it became also harder to "find the resources to help displaced workers" (Eichengreen 2018, 103). Fiscal retrenchment, combined with the growing burden of "accumulated policy legacies" reduced governments' room for policy manoeuvre (Streeck & Mertens 2013, 29). The liberalisation of capital also contributed to shift the balance of power between labour and capital by providing "employers [with] a credible threat: accept lower wages, or else we more abroad" (Rodrik 2018). Although this thesis would need to be nuanced, as the quality of national institutions and human capital are equally important to many firms, it remains that the free flow of capital posed constraints to both governments and labour (Busemeyer 2009).

The economy grew more globalised, with freer movement of goods and capital not only across the Euro-Atlantic theatre, but also between industries and emerging countries (Lierse & Seelkopf 2016, 148). Already at the end of the 1960s, the US had already witnessed a "first major wave of manufacturing imports from low-wage developing countries," a trend that would only further accelerate in the subsequent decades (Frieden 2017, 8). The heightened competition from Germany, Japan and low-wage emerging economies kept eroding the US industrial base which "lost grounds in low-tech industries like textile and medium-tech industries such as machinery, electrical equipment, and cars" (Thelen 2014, 40). More broadly, "manufacturing outsourcing, computerisation, and financialization, further weakened the working class's bargaining power" and its ability to shelter itself from severe economic disruptions (Hung & Thompson 2016, 452). Whereas structural and long-standing low levels of unemployment had strengthened unions in the post-war period, growing levels of unemployment definitively tilted the balance of power in favour of capital (Hung & Thompson 2016, 450).

Through the 1970s and 1980s, the US "experienced a dismal wage performance for the less skilled, mostly due to declining productivity growth coupled with increasing wage inequality between skills (O'Rourke & Williamson 1999, 169). As the US opened up both to trade with national economies endowed with abundant low-skilled labour. Manufacturing jobs were being replaced by low-value-added employment in the service sector, which induces structurally stronger inequalities, in line with a "barrister-barista growth" dynamic (Schwartz & Seabrooke 2009, 24). Indeed, the new economy grew increasingly characterised by the presence of both highly-skilled highly-paid service workers on the one hand, and low-skilled, low-paid workers on the other

(Moretti 2012). In other words, there were "fewer jobs in the middle and more at the top and bottom" (Evans & Tilley 2017, 6). As an illustration, O'Rourke and Williamson (1999) assessed that High School dropouts suffered a "30% to 50% decline in relative wage" (170).

In addition, during the same period, the US began experienced a form of educational stagnation, whereby the rising generation was "the first in more than a century whose education attainment [did] not significantly exceed that of its parents" (Eichengreen 2015, 247). That, combined with growing automation of the assembly lines and the replacement of workers by robots for routine tasks, further increased the education premium (Eichengreen 2018, 107; Norloff 2018, 67). This secular change in the world economy has exacerbated the pay gap between skilled and non-skilled workers, the former being substantially more productive than the latter, precisely because of the presence of factory robots or advance computing in the service sectors. As a result, whereas in 1975, US college graduates "earned 40% more than High School graduates," in 2005, the gap had widened to 90% (Heathcote et al. 2010, 25). In addition to welfare retrenchment, the Reagan, and then the Bush administration "froze the federal minimum wage for a decade, triggering the largest and longest continuous fall in real value of the minimum wage in post-war US history" (Huber & Stephens 2017, 6). As a result of the relative decline of the minimum wage since the 1980s, in 2009, full-time workers on minimum wage in the US "brought home an annual income […] well below the poverty level" (Thelen 2014, 43). The post-Bretton Wood era thus witnessed the unravelling of embedded liberalism, as illustrated by the decline in both economic growth and labour's power-resource, which paved the way for exacerbated inequality levels and political polarisation. The post-Bretton Wood system is thus a *neoliberal* one, chiefly characterised by the "individualisation of risk," as opposed to its socialisation (Thelen 2014, 30).

## The resilience of the neoliberal international order and its concomitant growth model

In spite of the slow demise of embedded liberalism, the political support for the ILO remained resilient until very recently in the US. One could argue that this was mostly an elite phenomenon, a tree hiding the forest of deeper popular discontent. But the underlying reasons for the resilience of the neoliberal order international are probably deeper. I would indeed suggest that in spite of its consequences on the most vulnerable sections of the population -from 1985 onwards, the US lost 372,000 manufacturing jobs every year, poverty levels went up and inequalities increased to unprecedented levels since the end of WWII, - the neoliberal growth model still retained popular support, at least until the 2000s (Moretti 2012, 22; Kupchan & Trubowitz 2013, 127). Indeed, a dual phenomenon helped low and medium-skilled American workers to cope with the impact of this transition away from the Fordist and egalitarian growth model. To start with, the number of hours worked increased at the bottom half of the income distribution (Heathcote et al. 2010, 26). Increases in the real minimum wage in the 1990s, combined with modest "aggregate productivity growth [temporarily stabilised] the bottom of wage and earnings distribution" (Heathcote et al. 2010, 27).

A second, and more fundamental mechanism helps explaining the resilience of neoliberal economics. The liberalisation of capital movement, combined with financial deregulation, which both played a fundamental role in the post-Bretton Wood growth model, also allowed American households to cope with the impacts of growing income inequality. Indeed, as underlined by Kumhof and Rancière (2010), whilst the working and middle-classes grew more pauperised from the 1970s onward, inequalities in consumption remained relatively stable over time. Many American households compensated for their stagnant or even declining income by borrowing from the most affluent, who recycles their surpluses through financial markets (Kumhof et al. 2012). This mechanism lowered consumption inequalities, but it also generated unsustainable imbalances that lead to the formation of financial bubbles. Also, this held "back aggregate supply as investors prefer[ed] financial over real investments," meaning that capital was excessively allocated to consumption credit rather than investments in the real economy (Kumhof et al. 2012, 26). The international liberalisation of capital also "allowed [some] countries to run current account deficits larger in volume and over longer time periods than under the Bretton Wood system," when structural deficits led to the rapid depletion of gold reserves (Stockhammer et al. 2011, 8). As financial liberalisation encouraged both under-investment in the productive fabric and over-consumption by American households, it also paradoxically fed into abysmal trade deficits that further exacerbated difficulties for those low and medium-skilled Americans, in that deficits constituted an "implicit labour supply embodied in trade flow" (O'Rourke & Williamson 1999, 170).

Global imbalances, whereby coordinated market economies such as Germany consumed systematically less than what they produced, thus "allowed US consumers to spend above US GDP" (Iversen & Soskice 2013). This situation was permitted by the fact that the greenback gives access to the "single largest economy with the most liquid markets," endowed with a high degree of confidence and large transnational networks (Eichengreen 2015, 219). Thus, for instance, German banks recycled their dollars to "purchase in-effect American assets," notably Treasury bills, but also Wall Street assets with "slightly higher rates" (Iversen & Soskice 2013). As international imbalances built up, this meant that global savers grew increasingly exposed to the potential flaws of the US financial system. This is what happened in 2008-09, when the collapse of the housing market brought down with it the entire US -and therefore global- financial system, which had been contaminated by toxic securitised assets (Iversen & Soskice 2013). The extremely accommodating monetary policy of the 2000s in the US, combined with financial deregulation, had encouraged low- and middle-income households to borrow ever larger sums to compensate for their stagnant income, a process which eventually became unsustainable and led to the collapse of the asset bubble on which it rested (Eichengreen 2015, 166). The crisis thus painfully exposed the intrinsic fragility of the neoliberal growth model, which rested on domestic and international imbalances in order to make up for growing structural inequalities.

In a sense, from the 1970s to 2007, financial liberalisation numbed the pain associated with neoliberal growth in the US. It acted as a substitute for robust compensation policies for lower and middle-classes constituents. By the same token, it also reduced pressures on politicians to compensate those workers displaced by globalisation with additional welfare transfers. Indeed, financialization of domestic economies, which was facilitated by the deregulation of lending from the 1970s to the 1990s, "enhanced private access to credit [which temporarily decreased] the demand for public transfers" (Nolke 2016, 153). As a consequence, and as documented by Rickard (2015), there was little bipartisan consensus for the expansion of compensation programs such as the Trade Adjustment Act (TAA) under the Clinton administration. The TAA, established in 1974, was meant to "provide assistance to workers who lose their jobs or experience a reduction in their working hours or wages due to increased imports" (Rickard 2015, 48). Yet, for years, in spite of greater import penetration -it went up from 7% of GDP in 1975 to 17% in 2008- many Republicans "have [continued to] oppose programs like the TAA" (Rodrik 2018; Chaudoin et al. 2018, 86). Under the Clinton White House, most efforts made by Labor Secretary Robert Reich to expand vocational training were also stymied by labour unions, employers and, to some extent, by Congress (Thelen 2014, 79). In the face of a similar phenomenon, Germany and Japan put in place retraining programs or propped up social safety nets, whereas in the US, in good part because of partisan divide and institutional inertia, "social service provision programs have been woefully underfunded" (Burgoon et al. 2016, 14).

## The collapse of the neoliberal growth model and attempted reforms

The 2007 financial crisis exposed the limits of the neoliberal growth model. It seriously "undermined support for free trade," so much that even candidate Obama proposed to renegotiate NAFTA (Jahn 2018, 45; Behsudi 2017). Whereas the side-effects of trade and automation on inequalities had been artificially tamed with access to easy credit, this stream of income came to a sudden halt for many low and middle-income households. As documented by Autor et al. (2013), between 1990 and 2007, "wage and employment in local markets that were home to industries suddenly exposed to Chinese competition remained depressed for more than a decade," with the most violent shock following China's accession to the WTO. The economic consequences of the absence of a strong welfare net for the workers displaced by globalisation and automation suddenly became more politically salient. This is even more true as "displaced workers in import-competing manufacturing are on average older and less educated [and therefore] tend to suffer lower re-employment rates" (Margalit 2011, 169). As a consequence, "communities hurt by trade [are] more electorally responsive because the consequences of [displacements] are more damaging in objective terms" (Margalit 2011, 169).

Yet, even if this crisis illustrated the excesses of the financialised economy, it "did little to dampen elite polarization in the US" (Bermeo & Pontusson 2013, 15). Whereas one could have expected an important course correction to be brought to the "non-embedded liberal" growth model, "the emergence of the Tea Party […] brought ascriptive American traditions back to the forefront of American politics as the counterpoint to the progressive liberalism that seemed on the road to triumph" with Barack Obama's electoral victory in November 2008 (Liberman et al. 2017, 21). President Obama struggled to overcome partisan divide and to implement more ambitious pieces of legislation to strengthen compensations for displaced workers. That said, by saving the banking system, Obama also saved America's ability to "run progressively larger current account deficits without having to worry about foreign exchange reserves" (Stokes 2018, 142). Whereas this was enough to preserve America's role at the heart of the ILO, the jury is still out as to whether Obama's overall reforms have been sufficient to maintain popular support for the liberal order.

Paradoxically, the decline of embedded liberalism and the failure to compensate those workers displaced by globalisation seemed to have contributed to the exacerbation popular polarisation. It indeed appears that electoral districts mostly affected by trade displacement "moved further to the right or left," depending on where they initially leaned (Autor et al. 2017).

As a result, “the ideological divide in American politics is at a historic high” and “the share of centrists [in Congress] shrunk to under 40%” (Autor et al. 2017, 1). The Democratic Party has grown increasingly entrenched in the deindustrialising Northeast and, until recently, the Rust Belt, whereas the Republican Party pursued and deepened Nixon’s Southern strategy (Kupchan & Trubowitz 2013). Electoral coalitions are thus becoming increasingly geographically homogeneous, with the Democrats winning over major multicultural agglomerations and cities, and the Republicans representing the white country-side and rural states (Lilla 2017). In the 1990s, Republicans became firmly “absolutists on tax cuts, gun control, and abortion,” with the “Jacobins of the conservative movement […] purifying the ranks” (Lilla 2017, 46). Ever since, the share of centrists in the Party has steadily declined. Whereas a similar pattern of elite polarisation is less clear amongst Democrats, Bartels documents that “well-informed conservative and liberals differ markedly […] in their normative assessment of increasing inequality” (133). This pattern of elite and popular polarisation has the potential to make it progressively harder for the US to be regarded by its friends and foes as a steady guardian of the ILO, which contrast with the Cold War period, when the US was a remarkably reliable ally (Kupchan & Trubowitz 2013; Posen 2014).

**Trump and the ILO**

From a purely electoral standpoint, Trump’s victory did not sharply contrast with previous cycles. It was indeed characterised by partisan tribalism, with democratic voters displaying a depressed turnout (Bartels 2018). Although the “much-noted migration of working-class whites to the Republican Party” did occur, it was not as overwhelming was often presented (Bartels 2018, 3). Norloff (2018, 79) obverses that although those voters earning less than $50,000USD per year still supported the Democratic candidate in their majority, there has been a 12 percentage points swing in favour of Trump, who promised to “cordon [the US] off from the global marketplace” (Kupchan & Trubowitz 2013, 137). This would put the US on a different trajectory from Europe, which has thus far favoured compensation as opposed to protectionism (Thelen 2014; Walter 2010). Still, Trump’s political positioning is not out of line with the theoretical predictions found in the literature. Indeed, the absence of strong compensation mechanisms “is likely to feed a globalisation backlash,” which is precisely what happened (Frieden 2017, 14). Also, as mentioned above, displaced workers and “people in declining regions,” being often old and less-skilled in their majority, are likely to be resistant to labour market (re)retraining and social investments policies more generally, which is also in line with theoretical predictions (Gidron & Hall 2018, 14). Garriztmann et al. (2018) find a clear educational divide in the electorate when it comes to social investment policies, the least educated being more favourable to outright redistribution, whilst the most educated were largely favourable to active labour market policies.

The present situation thus leaves the United States in an inextricable position. On the one hand, in part because of political polarisation, the Obama White House was partly stymied in its efforts to expand welfare security for displaced workers, which only "intensified the feelings of social marginalization on which populism feeds" (Gidron & Hall 2018, 20). On the other, Obama's early actions also restored the world's confidence in the American economy, and, by the same token, in the greenback. The US is thus still in a position to run structural current account deficits without being punished by the markets. In this regard, many authors still argue that it is in the US fundamental interest to stay committed to the ILO, insofar as it remains a structurally advantaged hegemon. Indeed, Norloff (2014), drawing on the structurally advantaged hegemon theory, argues that the American dollar remains a source of "prestige, seignorance, balance-of-payment flexibility, policy autonomy, capital and exchange-rate gains" (1043). As a matter of fact, America remains the only country to be able, by virtue of the centrality of its currency in the international monetary system, to run a systemic current account deficit without being punished by the markets. If the dollar were to fall out of grace to be replaced by the renminbi or the euro, the US would "no longer be able to consume and invest a trillion dollar more than [it] produce[s] each year simply because central banks and other foreign investors have a voracious appetite for dollars that require no real resources to supply" (Eichengreen 2015, 246). The global imbalances that led to the crisis were permitted very precisely because of America's "exorbitant privilege," which allows the country to consume others' savings. Yet, needless to say, Trump's election illustrates that the American polity remains divided as to the role the US should play abroad, and as to whether it should keep underpinning the ILO. The people do not universally share the elite's perception that both military and economic international engagements are still worth the effort. Many voters bought into Trump's notion of the US as an exploited benevolent hegemon, providing public goods without being able to extract as much resources in return (Norloff 2018, 71).

The US is in a paradoxical situation. It remains, as of today, not only a hegemon, but also a structurally advantaged one, in that foreign countries subsidise its domestic consumption by acquiring bonds and assets in value equivalent to the US current account deficit. In reality, the US thus remains fully capable "of extracting contributions […] from subordinate states" (Snidal 1985, 587). Yet, the quasi-successful primary bid of Bernie Sanders and Donald Trump's victory illustrates the growing divide of the American on both foreign and domestic issues, but also a reluctance, at least rhetorically, from the American polity to keep underpinning an ILO from which it objectively benefits (Frieden 2017, 9). Although one could question whether Trump's political decisions match his electoral rhetoric, this goes beyond the scope of this paper. During the campaign, he indeed questioned "the value of America's alliances [and he expressed doubts about] the value of other multilateral institutions," thus articulating "a narrower conception of American national interest than that held by any previous president" (Jervis 2018, 22).

Although American presidents before Trump have also acted unilaterally, the US is today in a situation that is far different from that of the Cold War. European allies, which counted on the American troops as a last resort, "saw supporting the greenback as an appropriate quid pro quo" (Eichengreen 2015, 178). If Trump were to fully execute his trade agenda and orchestrate a "significant commercial retreat, then we should expect monetary consequences" as foreign investors are likely to start "hold[ing] alternative currencies for reserves and payments" (Norloff 2018, 77). From a budgetary standpoint, the situation could also become critical. Debt as a proportion of GDP has already increased by 25 percentage points since 2008, and budget deficits are becoming structurally out of control. By most accounts, the Trump's tax cuts remain unfunded, and structural spending for health and pensions are likely to continue to grow in the years to come, with baby boomers starting to retire (Tankersley 2019; Eichengreen 2015, 237). With the democratic opposition veering to the left, and the limited interest expressed by many elected officials about the debt level, there exists a danger that investors, fearing payment difficulties, might trigger a "run on the dollar" (Norloff 2018, 77). The US hegemonic position would then be in a state of jeopardy and with it, the ILO.

## What comes next for America and the ILO?

For the moment, there are no real contenders to the hegemonic throne. In the absence of alternative, the ILO thus has to be underpinned by the US. Yet, as we saw, the US faces deep structural issues, both for a political and economic standpoint. With the end of the Cold War, the first fissures in the ILO became more obvious. The absence of a common threat to face deprived the ILO of one of its "two foundational pillars" (Burgoon et al. 2016, 3). That, combined with the "sharpening of socioeconomic cleavages [has further heightened] ideological polarisation in partisan competition" (Kupchan & Trubowitz 2013, 136). Although we might find some virtues to the unfettered neoliberal growth model, notably that of reducing consumption inequalities in the face of growing income inequalities, it was (and remain) also structurally crisis-prone (Wolf 2019).

For the moment, it is hard to argue that we are witnessing a full-fledged American withdrawal from the world stage in a way that would be reminiscent of the interwar period. Indeed, the Trump administration doubled down on "the US military commitment to Afghanistan by abandoning a timeline-based strategy in favour of a conditions-based strategy" (Stokes 2018, 136). In a defiant move against Russia, this White House also bolstered funding for the European Reassurance Initiative in Eastern Europe (Herszenhorn 2017). And whilst Trump abandoned Obama's TPP, for all practical purposes, he is also pursuing his predecessor's pivot to Asia (Auslin 2019). Still, in the absence of domestic reforms, and if Trump's commercial policy is also fully carried out (which is far from certain), the *de facto* international hegemon might either seek to further withdraw from the world market, or even be punished by international capital.

The current climate of uncertainty thus opens the door to further research questions. As we saw, the New Deal coalition brought together disparate groups who had a vested interest in maintaining stability over the world, but who were also offered guarantees by the state in case of displacement (Frieden 1988; Pepinsky 2017). Given the current decline of bipartisanship, the radicalisation of policymakers on both sides of the aisle, and the growing geographical and cultural distribution of the vote, is there a visible path to a durable coalitional realignment in favour of the revival of a policy bundle akin to embedded liberalism? Some guidelines for reflection are already out there, and they point out to the fact that the skill-biased nature of the modern knowledge-based economy makes training and retraining a daunting task, especially in the face of popular resistance and institutional inertia (see Beramendi et al. 2015; Iversen & Soskice 2015; Thelen 2014). Also, anecdotical evidences suggest a growing bipartisan support for trade action against China, in the face of the so-called "China shock." Is this susceptible, as suggested by some commentators, to lead to the re-emergence of a consensual political centre able to conduct a coherent foreign policy beyond changes to parliamentary majorities in Washington (see Ganesh 2019)? Or is it just the opposite, as suggested by Autor et al. (2017)? And finally, is the apparent inability of the US to reform itself potentially leading us towards as more multipolar -although not necessarily illiberal- world, as suggested by Eichengreen (2015)?

## Conclusion

In the end, the main contention of this paper is that embedded liberalism, as epitomised by New Deal policies, shielded American foreign policy from forces seeking a deviation from its commitment to multilateralism on the world stage. It was not sufficient for America to be objectively hegemonic; its leaders also needed to secure the backing of a large coalition of sectoral interests that would reinforce elite consensus and continuity over time, beyond parliamentary majorities. FDR drew support from Southern economic interests, who wished to export their raw material production, Northern industrialists, who were confident they gained the upper hand vis-à-vis their European competitors, and bankers, who wished to export their capital to Europe. All of these three sectors shared a vested interest in maintaining stability over the world over the long term. Yet, already by the end of the 1960s, the New Deal coalition was eroding. The globalisation renaissance "renewed [the age-]old inequality debate" (O'Rourke & Williamson 1999, 169). Germany and Japan's industrial upscaling, combined with America's military engagement and growing welfare spending, brought Washington to unilaterally put an end to the Bretton Wood system, which had underpinned the first version of the US-led ILO. The unravelling of embedded liberalism presided over the emergence of the neoliberal growth model and the concomitant growing inequalities it generated, but it also allowed the greenback to remain the world's currency reserve and the United State to retain its position of structurally advantaged hegemon. The collapse of the USSR and America's unipolar moment witnessed the weaponization of foreign policy for partisan ends, but also, increasingly, the polarisation of the political elite on socioeconomic issues.

Although President Obama saved the neoliberal growth model in the wake of the Great Recession, he did not fundamentally reform it. Structural inequalities and credit-led growth have engendered discontents, on both the left and the right. Whereas access to cheap credit could ease the pain associated with deindustrialisation, automation and income polarisation, the collapse of the financial market crudely highlighted the side effects of the free movement of goods, people and capital without proper welfare compensation. The failure of compensation, or the inability of US authorities to support displaced workers and hard-hit communities explain the dwindling support of the American public for the ILO. The growing sectoral divide, between, on the one hand, globalisation winners in high-value-added exposed sectors as well as in sheltered ones, and on the other, losers working in low-value-added exposed sectors or in the so-called gig economy, helps explaining the rise of both left and right populism. Still, by virtue of the role of the greenback, the US remains the structurally advantaged hegemon. As such, it is thus in its interest to keep underpinning the ILO. But how long can the present situation last? Left and right populism, if not tamed by moderate elites, could trigger a crisis of confidence against the hegemon's economic viability. The US would could then fall off its pedestal. But we are not there yet. At this time, for sufficiently large sectoral interests to jump in the globalisation and liberal order bandwagon, the US need to operate reforms at home so as to revive the promise of embedded liberalism and domestic stability.

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