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THE FUTURE OF THE GLOBAL ECONOMIC ORDER
IN AN ERA OF RISING POPULISM

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P R O C E E D I N G S

MR. WRIGHT: I would like to welcome everyone here today. My name is Tom Wright. I am a fellow with the Foreign Policy Program and director of the Project on International Order and Strategy. Thank you, everyone, for coming out on such a humid and miserable day outside. We have lots of air-conditioning in here, so thank you for spending the afternoon with us.

And the occasion today is we thought it was well-timed when we thought about it six weeks ago, but it turns out it's exceptionally well-timed because of the events in the UK, so we are here to discuss the future of the international economic order in a time of populism. And we'll hope to get into not just Brexit, but also TTIP, TPP, and some of the broader trends behind the really extraordinary developments of the last six months, both here and around the world and what that means for the future of globalization, for the global economic order, and for political cooperation.

So we're delighted to be joined by three experts. Dan Drezner, who is the author of the paper "Five Known Unknowns about the Next Generation Global Political Economy," which is available, I believe, outside. I highly recommend this paper. It's also online. You can download it for free, but you should buy Dan's books on Amazon. So Dan will open us up with some thoughts because even since you wrote this paper where you talked a lot about rising populism, really I think many of the findings have been vindicated.

Dan is a professor of international politics at the Fletcher School of Law and Diplomacy at Tufts University. He was previously at the University of Chicago. He is the author of many books, but his forthcoming book next year is called *The Ideas Industry*. Most importantly of all, he is a nonresident senior fellow at Brookings. So thank you, Dan.

Caroline Atkinson is the head of global policy at Google, where she advises Google's leadership on policy issues and leads Google's work with policymakers, government officials, and key political stakeholders. Prior to joining Google, Caroline was President Obama's deputy national security advisor for international economics. And prior to that, she held senior roles at the IMF, at the Treasury Department, and at the Bank of England.

And then we are also joined by David Wessel. David is my colleague and director of the Hutchins Center on Fiscal and Monetary Policy here at Brookings. He joined Brookings in 2013 after 30 years at the *Wall Street Journal*. He's been very engaged on Brexit issues and working with the Foreign Policy Program on global economics and all of the different sort of issues on the international economic order that really transcend, I think, all of the various things we work on here at Brookings. And I've had the pleasure of working with him on all of these issues over the last few years.

So we have a really terrific panel. We will break in about 45 minutes to go to all of you for questions. But I'd like to open it up really with you, Dan, since you are the author of the paper. You identify five sort of key unknowns in the paper. And what struck me is that while none of them said, you know, the big dangerous populism, three of them actually directly pertain to that in terms of the lack of global growth and whether we're in a period of secular stagnation, the potential for an ideological alternative to capitalism and real questions about inequality.

So I guess my question is how significant is this moment? I mean, will we look back on 2016 as one of those key years in sort of the post-war economic order or is this a bump in the road that we'll ride out?

MR. DREZNER: So I would say a few things on this. The first is, I'll get my normative preferences out of the way, which is I really hope it's just a bump in the

road. Which is not to say I actually believe that, but my hope is that this sort of turn to populism subsides.

The thing is the sort of five trends that I talked about, and in some ways I think all five of them are connected, in some ways populism is the natural outgrowth of some of them, which is, first, this sort of economic slowdown that you're seeing in the developed world, and also the economic slowdown that you're going to start seeing in the developing world, as well. In some ways, that actually worries me a little more because populism, whatever you think of it, actually can find democratic expression in most of the advanced industrialized democracies. What's interesting is the degree to which you have countries like China dealing with potential populism from a growth slowdown and then not knowing necessarily even when it will actually metastasize into something more serious.

And then I think the question becomes that if you have populism sort of as a response to this, which is really essentially anger at the sort of status quo set of policies and the status quo set of institutions supporting those policies, what does that then translate into? And that's where I think you can see it bleeding over into hostility to rising levels of economic inequality. And I think most important and most disconcertingly the way I put it in the paper is the end of the end of history, which is that, you know, Frank Fukuyama was much derided for making this argument, but his actual argument was not that history was going to end. His argument was simply that no one was going to find a universal appealing alternative to liberal free market capitalist democracy.

And you can argue you're starting to see sort of nascent arguments being put forward that, A, a liberal capitalist democracy is not all it's cracked up to be, that neither the democracy side nor the capitalism side are working the way they should and you're seeing a whole variety of reasons to believe that that model is tarnished. Among other things, the fact that Frank Fukuyama is now no longer making this

argument, rather working on political decay.

And then the second thing is whether you see an actual viable alternative that comes in the form of state-led capitalism and state-led repression of various groups that would potentially contest or otherwise form the backbone of civil society. So in that sense my concern is that in some ways, to get social science-y on it, populism is the intervening variable; that you have slow growth which then feeds into political resentment at both the status quo and sort of existing economic and political leads. And that then translates into a search for alternatives to a system that I think, if you take a step back and sort of look at the broad historical record, has actually worked pretty well.

MR. WRIGHT: Great, thank you. Caroline, if I could turn to you. You were advising the President on these questions. President Obama took office in the middle of the worst financial crisis since the 1930s. And as Dan and others have written, maybe the administration and other governments haven't gotten the credit they deserve for handling that crisis, that the system worked a bit better than is commonly thought.

But when you were sort of working through the aftermath of the crisis, was the White House sort of aware of this sort of rising risk of populism? And how did you sort of think about it in that role? And how do you think they are thinking about it today in terms of the long-term challenges that this poses to the U.S. and to the global economy?

MS. ATKINSON: Well, I think it's interesting you mention the global financial crisis because I do think that if people look back and see there was a turning point, I think that it should be dated to that rather than dated to this year. I think a lot of the roots of today's concerns are what were in the financial crisis.

President Obama was actually, and I've been remembering this a lot

recently, there was a time, I don't remember exactly when it was, but it was two or three years ago when he gave a speech or talked about the problem of inequality. I don't know if you remember that, David. I'm sure you were reporting on it at that time. And so he was concerned about these trends and the problems of inclusion in our own country on.

I also know that in the context of the G-7, which, you know, a group of major economies and the summit that was in Germany last year, the President had been working very hard the trade agreements, on getting Congress to pass the trade promotion authority and other bills that were working up as the U.S. was negotiating TPP, the Trans-Pacific Partnership. And so he had been very exposed to debate, also with traditional Democratic constituents and stakeholders. He'd been exposed to a lot of the concerns and rejection of the trade and openness and globalization and so on. And he raised with other leaders this as an issue that was relevant for all of their societies, the sense of disconnect between those that were doing better off or those that fully subscribed to the value of the global marble, if you like, and those that felt left out, left behind, on whom disruption was being felt. So it was certainly very much a part of a concern.

Now, what that meant in the United States was, first of all, right from the beginning at the financial crisis there was a lot of focus on addressing it aggressively, dramatically. I think some people might look back and say, well, the stimulus package could have been bigger, but at the time it was enormous, seemed enormous, almost a billion dollars and so on; and very dramatic moves from the Fed, but also really a push, rapid interventions in the banking system.

When I was in the White House there was then the euro crisis, which we shouldn't forget in all of this. And, you know, again, as David certainly knows, Europe was teetering on the edge of a financial crisis for a long time and managed not to have

the euro break up, but only sort of at the last minute. And so banks were very endangered and then governments had huge spikes and the possibility of not being able to fund themselves. And that, I think, was not handled well in Europe.

And I guess it's not a secret really that the United States from 2009, 2010, I wasn't in the administration then, but was pushing always for a focus internationally on the importance of growth and jobs. And it was only by 2012, 2013, that that began to be adopted as more of a mantra.

And even though it was then adopted as more of a mantra, including by Germany and by the EU, there was a continued focus in Europe on the importance of reducing governments borrowing, government deficits, and doing structural reforms. And I think that the slope -- you know, in Europe, average living standards now are still below where they were in real terms before the crisis began. That's a decade of no growth in living standards, and that's on average. In Germany, they have actually gone up a bit. And in places like Greece, Spain, elsewhere, they're still way below where they were.

So that is really -- now, that was not quite so bad in the UK, but, on the other hand, the UK vote was about, well, do we want to be part of this thing? And it didn't -- I think Europe has not looked like such a great proposition from an economic point of view. Now, of course, Europe is actually a wealthy society, a lot of people and it has fewer, you could say, social problems maybe than some of the ones we see in the United States. But I think that the focus on reducing debts and deficits rather than on fiscal policy and fiscal rectitude, rather than a focus on hope and opportunity and jobs and building decent infrastructure and providing good education and so on has been a part of the problem.

MR. WRIGHT: Thank you. David, how about that? Is it mainly sort of a function of the fiscal response to the financial crisis, particularly in Europe, or are there

sort of deeper underlying causes? And what are the risks of this populism if it continues on the same sort of trajectory that we've seen in recent years?

MR. WESSEL: I agree with Caroline that if there's a turning point it dates to the financial crisis, a great loss of faith in the ability of democratic capitalism to manage itself, as Daniel pointed out. I mean, after all, we told the American people that maybe we don't make things quite as cheaply as we used to and maybe we don't even make them as well as the Japanese, but the one thing we definitely know how to do is run a financial system successfully. And we recommended everybody else in the world adopt our financial system and it doesn't quite look like the best advice we ever gave.

But I think there were some chronic problems that preceded it. So I think the first thing I would say is people who are upset are not irrational; that to a large extent the economy here and in Europe has failed to deliver for a lot of ordinary people. We could go through all the statistics. The typical man with a full-time job in the U.S. at the middle of the income distribution who had a year-round job earned less in 2014 than some similarly situated man did four decades earlier. I mean, we just have had this inability to deliver growth in the middle.

And you can see in the Brexit vote that those areas that had the weakest wage growth tended to be vote for Leave. In the U.S., the fact that even today, after all the remarkable recovery we've had and better than anybody else's, that there's still 12 percent of the people who have mortgages are underwater. I mean, so, no wonder they're angry.

But I think that economist and economic journalists tend to assign everything to the economic phenomenon because that's where we are comfortable, and there's clearly other things going on. I mean, Donald Trump's slogan "Make America Great Again," our colleague Bill Galston had pointed out the most important word on that

is "again." And you can hear him appealing to less-educated, white, working class men and say, you know, it used to be that you guys were on top, that you controlled the society, and now you're threatened by women, you're threatened by immigrants, you're threatened who were born here who are dark-skinned. And this notion that, I think it played out in the UK, the immigration thing clearly had a big thing to do with Brexit.

A lot of that is not economic. It's about questions of identity, about who are we, who is our country. I'm sure some of these, despite the remarkable progress we've made with LGBT rights, I'm sure there are some people who are threatened by that. The world seems to be changing very fast and they see out there that we can turn back the clock. I think some of the Brexit voters wanted to turn back the clock and some of the Trump voters wanted to turn back the clock.

And people like us, perhaps a little out of touch that constituency, not only do we believe we can't turn back the clock, but we don't want to. We don't want America to go back to 1950. It wasn't so great for everybody. And I think that the risks we run now, I agree with Dan about this is a symptom and the question is does it produce a kind of response that puts us in a better place or one that puts us in a worst place?

Does it mean we are going to live through a decade of intolerance and violence, of lack of progress in solving problems that have to be solved globally? We are not going to solve global warming one national legislature at a time. And we are not going to help the Syrian immigrants if everybody decides that the immigrants should go somewhere else. And so there are a huge number of -- we can't regulate the big banks one country at a time.

So we have these global problems and this retreat to national solutions I think is a real threat. But I think there's a chance -- I'm kind of like Dan, this is the difference between what I wish will happen and what I expect to happen -- that this is a

wake-up call. This is wake-up call for the elite, that's saying that we are worried about the people who lose for trade, so we're going to increase trade adjustment assistance by 2 percent in this trade agreement; or our solution to all the problems of the American middle class is to expand the Earned Income Tax Credit, which nobody who gets it understands, to cover childless workers because it now only covers largely -- or expand the coverage. I mean, these kind of very narrow solutions that seem to people who are suffering just like giving them aspirin and they have cancer.

And so I think the challenge is, does this become an occasion where people like us and think tanks and companies like Google and academic institutions come up with something that's a little bit more convincing to deal with these really very serious problems of, you know, the damage that's done to people who are not the winners in globalization or the people for whom technology really is more of a threat to their livelihood than a complement to their earnings.

MR. WRIGHT: Thank you. Dan, you wanted to come in?

MR. DREZNER: I just wanted to say two things. The first is that I completely agree that in some ways 2008 is a far more important inflection point than the year we are currently in. But I will say that what's striking to me, and I know this because I looked at the public opinion data for the book that I wrote called *The System Worked*, what was striking to me is for how long not just the American public, but global publics have actually, post-2008 -- you would have thought if 2008 was a moment where everyone said, okay, well, clearly neoliberalism as we know it is flawed and we've got to reject this free trade consensus and free markets and so on and so forth, and what's fascinating to me is that never showed up in the public opinion data. That, in fact, if anything, Americans became more enthusiastic about free trade post-2008 than pre-2008.

So I don't think the populist sentiment that is bubbling up is I guess I would say preordained or it's not necessarily going to be determinative. Because even now, even after a year of Trump, you know, there are polls I can point you to that show that Americans are still pretty strongly pro free trade or they see globalization as by and large a good thing. And you can also point to global polls where this is the case. The one exception to that, shockingly enough, is the Southern Mediterranean, where that's completely understandable given the economies that they've had to deal with.

So I would also be careful not to exaggerate, I guess, the effect of populism in the sense of, yes, absolutely, you can point to Brexit as one example. You can certainly point to Trump as others. We've had waves of populism in the past, however, that have crested and then eventually subsided. So I think the danger might be in thinking that this is just going to move in one direction.

And the other interesting thing, and again this is where I'm mixing my positive analysis with a dash of hope, is I'm genuinely going to be fascinated to see the degree to which the reaction to what happens to Brexit affects other sort of populist movements elsewhere, which is it's easy to say we know that the status quo was rigged and corrupt and there's got to be a better way. But if you then actually say the better way is to close all borders and exit and be anti-globalist and exit whatever international institutions we're part of, and then you see as a result of that economies doing even worse, then you're still going to be casting about for ways to reform the status quo, but it does rule out the stupid options. And as an academic I cannot underestimate the ability or the virtue of ruling out stupid policy options as a way of generally preventing things from getting worse.

And so in that sense I am hopeful that the sort of effects that you're seeing just in the last month of Brexit going forward might be interesting to see whether

that -- that's a sort of counterfactual that American voters or other voters might look at and think, okay, as tempted as I am to think closing off our borders might be the right thing to do, it might actually have more negative impact than I thought.

MS. ATKINSON: I would like to have hope, obviously, and I think we can have hope, but a couple of things. One, I think that the consensus or the sort of fears of globalization and so on or the American polling that supported openness immediately after the crisis or in the immediately subsequent years may also have had something to do with the fact, as you pointed out, the developing world is only now slowing down. And for a period of time American companies were sustained by the ability to keep selling stuff to Asia in particular. And small companies in the Midwest found that they could keep going by developing export markets when they couldn't. So I think that helped to bolster for a while the support for openness.

But I also think that it's very easy to think of the averages. And what we've seen is that there is this disconnect or that there are many divides between different groups in society. And I think that's what is something that goes to what David was saying about, you know, it's not just about economics, it's about social issues.

For example, I know at Google that what gets everybody excited, what got the founders going and so on was the notion of this mission of making useful information accessible to all. So it's sort of for everyone. Everybody should be able to find out stuff that we can all find out easily or know from some fat book and now it's all on the Internet and it can be brought to people and it can be made more accessible and cheaper. And I still think all of that hope is there, but we need to make sure that there are opportunities taken to the places and to the people that specifically have lost out.

Now, it doesn't mean -- I mean, just take you mentioned about men and women. When I worked at the IMF, I was always put on sort of review committees. I was

a senior woman, so, you know, put all sorts of places that I --

MR. DREZNER: You got loaded up with service.

MR. WESSEL: It was your job, Caroline Atkinson, senior woman, International Monetary Fund. (Laughter)

MS. ATKINSON: That was a part of my job. And that because there was more of a push to have more senior women around, and then Christine Lagarde came and she wanted to push it and so on, and it was just obvious and it was happening at lots of other places, not at the IMF, so it began to happen. And then there was this big pushback: well, what about all the men? And there was a cohort of the men that weren't doing so well and, you know, that was a real issue that you had to address, but not, in my view, by saying, oh, my gosh, okay, we mustn't dash all their expectations that they had.

Now, that's a little different from some of the other issues where we're talking about people that just haven't had a fair shot and that we need to get education and income and help to them there.

MR. WESSEL: I think, Dan, one big difference between today and 2008 is the rhetoric and the quality of the leadership. So in some respects, you would have expected a huge protectionist response to the crisis. And I think it was a concerted effort by the leadership to prevent it. And now, who running for President is getting up and saying, you know, globalization is actually more good than bad? Or I don't want my kids to grow up in a society that thinks the policy of the United States is to keep kids poor in Mexico and China.

So I look at those polls, but I'm never quite sure what to make of them. My view of politicians is they may not be good at much, but they are very good at reading the public mood. They kind of select for that. And one of my concerns is that at a time like this, it's really important to have leaders with the skill that both Ronald Reagan and

Bill Clinton had to say, look, things are bad now, I feel your pain, and I have a solution, and to give people some reason to be optimistic that to the extent that public policy makes a difference, that it'll make your life better.

I don't see that at the moment. And that concerns me because without that, you could get some of the more ugly sides of populism.

MR. WRIGHT: One thing that sort of struck me after the Brexit vote was, you know, before the vote took place there was very little groundswell of support for the EU. It was very hard to get sort of rallies or any sort of real campaigning. Politicians made speeches, but they sort of fell flat. And then when the Brexit happened, immediately there was this sort of groundswell of anxiety, particularly from young people who thought that this deprived them --

MR. WESSEL: Maybe they should have voted.

MS. ATKINSON: Yeah.

MR. WESSEL: Yeah.

MS. ATKINSON: Well, it was a terribly depressingly low turnaround.

MR. WRIGHT: Well, see, but they revised upwards. They revised the number of young voters upwards.

MR. DREZNER: Yeah, but we can agree that kids are awful.

MR. WESSEL: Yeah, we can agree on that for sure. (Laughter) But the point I'm trying to make is that they -- you know, there was this letter in the *FT* that sort of went viral about how all these opportunities were being lost and an inability to travel and to work elsewhere and spouses that will be unmet and, you know, lots of jobs that will be not had, and there was. And then there was this huge rally in London two weeks later, you know, two weeks too late.

But I guess my question is, you know, we haven't seen -- there were two

sides to the opportunity thing. There are people who don't have opportunity now and there are people who benefit from opportunities of globalization, and they've sort of taken it for granted. I mean, as globalization and an open economy comes under risk, are we likely to see a counter response by people who benefit from that system and actually don't want it to be closed off?

MS. ATKINSON: I think it goes a little bit to what David was saying about leadership because you do need leaders to hold out that hope. And again, you know, I was in public policy and I think strong and good leaders do try -- also they're good at reading the public mood, but they also seek to shape the public mood. And that was not something that was done.

As I say, this sort of good side of -- and there was the fear campaign. It was all the basis of fear, the Remain, which was obviously certainly in hindsight not smart. And the referendum is a tricky thing, but I think that there is also a role for all sorts of -- as you said, for all of us who do think that globalization, that change, technology, and so on can actually help, to be making that case and demonstrating it.

MR. DREZNER: So there's something else that's going on. The paper that I wrote was about the sort of known unknowns, meaning things that I think are valid questions that we don't know the answer to. But in some ways I think what you're getting at actually refers to a known known. And one of the few things we can actually predict with a great degree of certainty over the next 20 years is demographics. And I think one of the things that's going on here, both for Brexit and more generally, is the gap between old and young. And I think that sort of overlays.

A lot of people are trying to argue that what's happening now in mature societies is this fissure between sort of cosmopolitans and nativists. I actually think that age has something to do with this, as well, which is disturbing. Because you can argue

that younger people obviously, for a variety of reasons, including just simple flexibility of mind, are usually better capable of exploiting the sort of opportunities that globalization offers. Whereas older people are going to be far more prone to arguments tilted towards nostalgia. And in some ways that's what the Leave campaign in terms of Brexit and that's what Make America Great Again are both going for. They're not going for let's put America back to the 1950s. They're going for let's go back to the America of the 1950s in your brain.

MR. WESSEL: Right.

MR. DREZNER: That you remember it being. Not as it actually was because then that would have to include things like racial segregation and women not being able to work and so on and so forth, but more the idealized halcyon vision that you have. And I think just as a natural fact of life, older people are going to be more prone to this argument. And here's where the demographics kick in because it turns out in most of the OECD countries there's going to be a lot more old people than young people.

MR. WRIGHT: But, Dan, I mean, that describes --

MS. ATKINSON: What about today's young people who believe in globalization, holding on to that belief as they grow older? That was one that I've been hoping for.

MR. WESSEL: Let me put to David maybe that, you know, there seems to be some sort of demographic and generational divide, but, you know, that's only maybe on the right. I mean, when you look at the left and Bernie Sanders, I mean, he had a lot of young support, but he was also very skeptical of trade and had a more sort of soft, nationalistic economic focus, one that didn't really talk about the global economy. So is there another sort of side to what Dan's talking about in terms of skepticism about an open --

MR. WESSEL: I think there is widespread skepticism in the U.S. about the value of free trade agreements, and that is not a demographic, as you point out. So I think you raise an interesting question. What was it about some 74-year-old, cranky, Socialist, Jewish guy, who gave the same speech every day of his life for the last -- every day of his adult life that got American young people animated? I don't think I know the answer to that, but it is evidence of the point I was trying to make that the right kind of leaders can get young people involved.

Where I think it's going to be interesting is on the climate change stuff. Because, you know, basically if there's a threat to our world from climate change, it's more likely to affect younger people than older people. It's a gradual thing. And I think there is some evidence that younger people are more motivated by that. So while you're right that Bernie Sanders was clearly anti-trade, but so is Donald Trump, so is Hillary Clinton, and so is the majority of the Democratic Party and a good section of the Republican Party in Congress, although they mean different things by it.

I think -- you know, Bernie Sanders called for a carbon tax. So I think that's the art of -- someone once said that the art of being a politician is to make the impossible -- the essential -- what is it? Make something that's essential and impossible possible, that basically there are some things we have to do. Globalization is not going away. We're not going to be able -- just because we don't pass TPP, it doesn't mean we're not going to have competition from workers in China and India, and someone's going to have to explain that to people.

I think that some of the younger people who have antipathy towards trade is much more of a sense that somehow the big corporations control everything and these trade agreements, you know, they're really complicated, I don't quite understand it, but it seems to be more in the interest of big corporations that are trying to protect their

patents on Pharma than it is on making sure that my cousins and my uncles and my aunts and my children have jobs.

MS. ATKINSON: Yeah. No, I think that's right.

MR. WESSEL: We turn to sort of the issue of the day in terms of Brexit and really where it's headed. I mean, you talked a little bit about the causes, but this is the one sort of really striking example of populism winning, the dog sort of catching the car, and then trying to have to figure out what to do with it. I mean, there's a lot of different opinions about whether or not this is the end of the world as we know it or actually it's not really going to happen, it won't make much difference anyway, and that the British will be sort of locked in.

What do you think about where this is headed? I mean, if it -- and especially, you know, Boris Johnson appointed foreign secretary yesterday. (Laughter) The French foreign minister today calls him a liar within 24 hours of his appointment. The Germans say something similar. I mean, you can see how this goes sideways, right, in terms of the negotiation. And what's the impact for the European economy and for then, by extension, the global economy?

Who would like to start? Caroline?

MS. ATKINSON: Well, I was just going to say that I think again leadership can make a big difference. I think Merkel's leadership will be, as always in Europe, extremely important. Her initial approach I think has been a calming one and a good one in terms of making it clear that it's not smart for anybody to be trying to exact revenge and that you need to get on with it, but also in a way that is good for everybody. And I think that in the end that's likely to win out from her side and in Europe.

But it will take careful management because there will be the temptation for -- I mean, first of all, there has to be a kind of emotional reaction. You know, the day

before the vote the Union Jack, the flag, was put on all the major buildings in every European capital and the Eiffel Tower was lit up. Everybody was making an emotional appeal to the British stay with us, we want you. So that was a sort of major slap in the face from the country, and I think that can also generate an emotional reaction.

And politically, where there are parties, you know, take France or even Germany, that look as if they've got a similar view, then they obviously will want to -- there will be a temptation to make it as hard as possible for the UK so that others don't follow, a little bit what you were saying. But I think that -- I mean, goodness knows, about Boris Johnson, but Theresa May is clearly a kind of determined and decent person who's going to just go forward and has been very clear about moving forward. You know, it's maybe too obvious, but I can imagine that she will be able to forge a good relationship with Angela Merkel, which is extremely important, and maybe keep Boris Johnson under control or send him off not necessarily --

MR. DREZNER: Send him off to America just all the time.

MS. ATKINSON: Well, not necessarily to Europe. But this is a very tricky period and I think that the initial political responses on the whole have been good in terms of saying let's calm things down.

MR. WESSEL: I think two things, a good thing and a bad thing. The good thing is that it's really hard to argue that everything's okay, that this will be -- responsible leaders will realize that continuing as we were going where the Europeans have a summit every three days to fix things till the next summit is not sustainable. They may not be able to get out of that, but it is kind of a wake-up call. And I think it should serve as that, just as Trump and Sanders have served as a wake-up call here. I mean, you know, everybody in this town thought there would be a race between Hillary Clinton and Jeb Bush, and it shows you what they know.

But the second thing is that it does, unfortunately, mean a long period of inward looking, dealing with all this stuff about how is it going to work, and it'll just mean less time dealing with what I consider much more serious problems about what do you do about inequality? What do you do about racial tensions? How do you cope with the Middle East or Putin? And I think Dan was absolutely correct to say that if you think that the British have trouble dealing with populism, what is Xi Jinping going to do?

And so all those things get pushed aside so we can read endless stories in the FT about the latest war between Brussels and Paris and Berlin and London.

MR. WRIGHT: Dan?

MR. DREZNER: So I'd say three things on this. The first is that I'm very amused by the notion that we're now going to -- you have to endure a wave of sort inward-looking European Union politics.

MR. WESSEL: It's even more.

MS. ATKINSON: It's been like that for a while.

MR. DREZNER: I was just going to say, as someone who's studied this for a while, I've heard this before.

MR. WRIGHT: And it's come true before.

MR. DREZNER: This has been the European Union's *raison d'être* for the last 20 years or so. But I grant you that it'll obviously be more concerted now.

The second thing is I would be a little more hopeful in that I think it's dangerous to sort of say, well, look what Brexit did and so, therefore, we will see the same things play out in the United States. The United States is a much larger country and also, frankly, a much less white country than the United Kingdom. And so I think just the fundamental demographics of the U.S. on an election are different from how the UK is going to operate -- you know, operated with respect to the Brexit referendum.

That said, the one thing that does give me a little bit of pause or the one thing that I think that is interesting and the one common threat between the two of them is, interestingly enough, you know, the favorite epithet now that Donald Trump likes to throw at his enemies is not about globalization. The word he uses is "globalism," which means something slightly different. Globalism isn't so much about economics, it's about the notion that somehow we've lost our sovereignty.

Now, in some cases that used to be due to economic globalization, but I think in some ways it's more due to the notion that we've lost it to the WTO or our allies or what have you. And truthfully, I don't think when Trump makes this argue it's terribly coherent. But that said, you know, you don't have to be that coherent to necessarily win over some supporters.

But this also highlights the difference between Brexit and the U.S. election, which is the fundamental fact is the U.S. created the liberal world order that we're worried about right now. And the U.S. still exercises considerably more influence over that world order than the United Kingdom exercised over the European Union.

And furthermore, the European Union, for all of its strengths and weaknesses, actually is a supernational institution in the way that the United States is not a member of any parallel organization. So I think there are dangers in terms of pushing the parallel too far.

MR. WRIGHT: I want to come back to -- oh, sorry, David.

MR. WESSEL: I agree with you. You can point out the differences and you can point you the common themes. And I think that -- wouldn't you agree that there's something in the anxiety of ordinary working people that might explain part of the Brexit thing and might explain part of what's going on here?

MR. DREZNER: Oh, sure, I think there are common themes. I guess

my point is that I don't think that anxiety resonates as well in the United States as it does in the United Kingdom, for other reasons that as much as we might talk about these long-term trends toward inequality, the U.S. economy is not actually doing all that badly right now.

MR. WESSEL: Right, right.

MS. ATKINSON: No, the U.S. economy is doing quite well.

MR. DREZNER: Yes.

MR. WRIGHT: The British economy is doing -- I mean, I think it's been handled pretty well.

MR. WESSEL: Unemployment -- yeah.

MR. WRIGHT: I want to come to the issue of national sovereignty and everything a minute, but just before we fully get off sort of the Brexit negotiations, you know, when you play those negotiations out it sort of comes down to a choice between two things: either the British will ultimately insist on restrictions on the freedom of movement and have more controls on immigration, in which case they will give up something on the passporting for financial services and they'll have less access there; or they will insist on keeping the city of London intact and having these financial services fed into the European Union, in which case they'll have to accept more freedom of movement and more immigration. So it's sort of a pretty extraordinary tradeoff, you know, where you have these two -- populism on the one side and sort of the financial services, capitalism on the other.

And we don't know where the government will come out, but a lot of them tend to be on the more sort of right of center end of the spectrum where they believe in the Singapore model. Is that sort of a fair way to characterize it? And how do you sort of think in a very public setting that the country as a whole will make that choice

between sort of immigration and capitalism?

MS. ATKINSON: I wasn't sure where you were going with the Singapore, which alternative you were thinking there. I mean, Therese May, on the basis of her previous history, to me fairly clearly looks like somebody who would choose to restrict immigration and not have such a big focus on the city of London. But whether that is -- I mean, there are so many different complications in that, whether that's who she does guide it and whether that's what's possible from a European point of view, I'm not sure.

So I think that what's important is that -- I'm not sure how much is just the city of London, I mean, how much is financial services. Mainly I think that for the UK and for the UK economy it will obviously be important to continue to have access more generally to trade and openness and so on. But, I mean, I'm not a political analyst. That's just the way it seems to me.

MR. WESSEL: But, Dan, you made a point earlier and I think it's a good point to make that the one thing where the elites believe that immigration is basically a good thing and they're frustrated that so many people seem to disagree with them, you were suggesting earlier when we were talking that that might be the one place where the elites have to give.

MR. DREZNER: Yeah. So, I mean, it's hard to dispute that the reason the Brexit outcome happened was due to concerns about immigration. And based on what Theresa May said in her inaugural speech, you know, she came down pretty tough on immigration.

To answer Tom's question, it wouldn't shock me if what May does is call an election using basically the argument of I'm going to -- you know, we're going to be able to control our borders, and if that means a hit to the city of London, so be it. And

then in some ways, if you think about it, that's a genius way of campaigning, saying vote for conservatives because that's --

MR. WRIGHT: That's campaigning against Jeremy Corbyn.

MR. DREZNER: Right, exactly. It would force Jeremy Corbyn to have to

--

MS. ATKINSON: Support the bank.

MR. DREZNER: Exactly, which I have to admit would be an exquisite to watch. But it would strike me that that would be both the winning political move and it would also potentially offer political legitimacy to her bargaining position as Article 50 eventually gets invoked.

MS. ATKINSON: She got rid of George Osborne who was the main proponent of the importance of the city of London.

MR. DREZNER: Right. But I do think more generally, the point I was making is that the one area where I do think this sort of provokes this backlash in the developed world is migration, whether it comes in the form of Syrian refugees or perceptions of illegal immigration in the United States, although here, again, it's incredibly frustrating because illegal immigration in the United States has been on a downward trend since 2008. It's not that big of a problem now according to every number that I've seen. And that, in fact, you have more illegal immigration coming I think from China and India at this point than you do from Mexico. And nonetheless, you know, it seems to be an issue that potentially resonates.

So it would strike me that that's going to be one of the areas where if there's going to be give from the elitist consensus that's where it's going to happen.

MS. ATKINSON: I'm not sure that's the same in the United States as in the UK because of what you said about, you know, it's --

MR. WESSEL: It's in our blood, a nation of immigrants.

MS. ATKINSON: We're an immigrant nation and there have been difficulties absorbing different waves and so on, but it's much more a part of the DNA.

MR. WRIGHT: Before we get off Europe can I ask you one more question? Because earlier you mentioned how Europe handled the financial crisis and the euro crisis. And it's no secret that one of the most difficult relationships on the fiscal economic side is with Germany. The German-U.S. divide is maybe more striking than even sort of U.S.-China or other bilateral relationships.

We're in a situation now where we've seen these populist ways. There'll be a new U.S. President in January. You know, whoever she will be, if she was to go over to Berlin and try to say to the chancellor, you know, we need a new relationship to have some movement on growth and there needs to be a U.S.-German alliance for growth, I mean, that's been unimaginable really for the last six to eight years. Is that something that is a little bit more possible in the current environment?

MS. ATKINSON: I mean, on the relationship, actually President Obama and Chancellor Merkel have a very strong relationship. I think they both respect each other, but they also both like each other. And so I don't think it's about the relationship. I think the relationship has been really good. I think that there is a disagreement on the analytics and the policies.

MR. DREZNER: Yeah, that's what I meant.

MS. ATKINSON: And on the political interest, now, one of the things that -- I think that Chancellor Merkel really, for whatever reason, has not had presented to her the arguments for allowing for more fiscal flexibility in the rest of Europe. And I think that has been a huge mistake actually for Europe because I think that the focus on fiscal policy at a time when governments can borrow cheaply and she could be investing has

been a terrible -- come at a terrible cost, social cost. But I think that the -- so a shift in that would have to come as a result of some shift inside Europe. And whether that was a political shift or a shift in the economy, I mean, I thought for a while before the euro fell somewhat and the fiscal constraint eased up a little bit I guess at the beginning of 2014, when it looks as though there might be a triple recession in Europe, I thought that might be a trigger for a shift. So I think that's the key.

MR. WESSEL: Great, just very briefly. I don't think there's anything the President of the United States can do to change the economic policy of Germany. They believe they're doing the right thing and if the other Europeans can't convince them, why do we --

MS. ATKINSON: Other Europeans don't try, I don't think.

MR. WESSEL: Really? But --

MR. DREZNER: I have a well-honed 10-minute rant on how Angela Merkel is responsible for a lot. You know, like I would singlehandedly hold her responsible for most of the destruction that's been wreaked upon Southern Europe.

MR. WRIGHT: Well, I'm --

MR. DREZNER: But also, in some ways I think she's far more responsible for Brexit than David Cameron is because, in some ways, the problem -- the Brexit vote was really in some ways a referendum about whether or not you believe in the European Union, as well. And the degree to which Angela Merkel managed the euro zone crisis is so spectacularly awful for the rest of Europe that we would run out of time if I went on that rant.

MR. WRIGHT: What do you really think, though? (Laughter)

MR. DREZNER: No, I'm not kidding. It is a fundamental -- you know, as much as we might talk about leadership, and I do agree that -- and part of the

complicating factor is that there are other areas where Merkel really has demonstrated political leadership.

MS. ATKINSON: Absolutely.

MR. WESSEL: Yeah.

MR. DREZNER: But when it comes to macroeconomic policy the degree of absolute stupidity and ideological rigidity on her behalf, you know, has really --

MR. WESSEL: Handling your inner Larry Summers here? (Laughter)

MR. DREZNER: What? No, it's an utterly infuriating thing.

MS. ATKINSON: She's mirroring the views in Germany.

MR. DREZNER: Yes.

MS. ATKINSON: That's the thing. It's not that she woke up and --

MR. WRIGHT: But it's more Schäuble than it is her.

MR. DREZNER: Right, but I guess I would put it this way. So the IMF came out with a document I think last month about sort of neoliberalism -- you know, questioning neoliberalism again. And there were a lot of waves that it made, but the frustrating thing about it is that essentially what the paper talked about was there are two areas where there's genuine, real disagreements and it turns out that the IMF package didn't work.

The first is fiscal austerity, which as it turned out is an unmitigated disaster. And the second is the benefits that you get of free capital mobility. But the rest of the stuff, which is really important, actually is still -- you know, that's the part that's not contested.

And my concern is, I guess in some ways, and I'll leave it at this, is that the disaster that has been fiscal austerity brings down the other aspects of the neoliberal edifice that have actually been responsible for, in some ways, the greatest reduction of

global poverty over the last 50 years, which is a remarkable success story that no one is paying attention to.

MS. ATKINSON: Well, I agree with that. You've put it very nicely. That's what I was trying to say at the beginning, that I think that the fiscal policy has -- that excessive austerity has triggered a lot of these other concerns, even though I think David makes a good point that it's not all about economics.

MR. DREZNER: Right.

MR. WRIGHT: David, just before we go to the audience you brought up Larry Summers. And we were talking just beforehand, too, about his recent series of articles calling for a responsible nationalism, that he sort of made this argument that globalization was too much about the global elite and an ideology of openness. And maybe, you know, it's okay to allow some diversity in views and what countries and governments would do. Do you think that there is a way of allowing for more nationalist behavior beyond what we have now or would that be a slippery slope?

MR. WESSEL: Well, I'm not 100 percent sure what Larry Summers meant, but in the column to which you refer he had a couple of examples. He said, so if the Italians democratically decide that they want to put taxpayer money into the banks and they can't do it because the European agreements won't let them do it, then we shouldn't be surprised that the Italian people, who will lose money because they all have subordinated debt in their banks, are angry at Europe.

And so I think the question is -- I think he's identifying that one of the things, Dan mentioned this, that to some extent there is this -- people have associated things like TPP and the WTO with somehow giving up our national sovereignty. I think what Larry's saying is whatever the merits of these agreements are, if people don't have confidence that they're actually going to serve their national interest, then you get this

backlash. And what I suspect he's saying is we have to make the case that this stuff is in the people's interest.

And I think he would also say that on things like corporate taxes it's why it's so important that the governments of the world get together and agree that if we set up a system where everybody is making it impossible for big companies to move their profits around so they don't end up paying taxes to anybody, we shouldn't be surprised that we have this kind of populist, anti-corporate backlash.

MR. DREZNER: I mean, I would say that in some ways, and I think he might have referenced this, but it's a banal point, but is, nonetheless, a valuable one, the most responsible nationalist policy you can pursue at this point if you're in the developed world is an expansionary fiscal policy. Because, shockingly, with interest rates at less than 2 percent and a crumbling infrastructure, maybe it's a good idea to take advantage of the low borrowing rates and actually invest a significant amount in infrastructure, which serves the dual purpose of, A, improving the infrastructure, but, also, actually creating jobs.

MR. WESSEL: Right.

MR. DREZNER: And jobs that will exist in the United States.

MR. WESSEL: But I think what Larry --

MS. ATKINSON: But nobody's -- that is constrained within Europe, outside Germany, although less than it should be, by the fiscal rules.

MR. WESSEL: Right.

MR. DREZNER: Right.

MR. WESSEL: And in the U.S., it's all self-imposed.

MS. ATKINSON: It's self-imposed by --

MR. DREZNER: It's the self-imposed part that annoys me.

MR. WESSEL: Yeah, not by some supernatural.

MR. DREZNER: Yeah, exactly.

MS. ATKINSON: Absolutely, but it's self-imposed by the dysfunction of the system, if you like.

MR. WESSEL: Right.

MS. ATKINSON: I mean, it's --

MR. DREZNER: Well, I think that if Larry's argument is responsible nationalism, then the problem isn't the nationalism part. The problem is the responsible part. Yeah.

MR. WESSEL: Whatever that means.

MR. WRIGHT: And we haven't seen a lot of that recently. So we'll go to the audience and we'll take questions. So we have a microphone, I think.

So the gentleman here in the second row. We'll take maybe three together.

SPEAKER: Thank you very much. I'm a member for UNESCO task force. My (inaudible) in 2000, in tangible culture heritage. And I used to be involved with the European Union over 5 projects in over 18 countries, members of the European Union. Sorry, one last comment about it. I used to be advisor to the cabinet of President Mitterand during 12 years.

Now, why I'm saying all those things is I think I would submit not to talk about globalization, but "glocalization." I apologize, English is not my mother language, obviously. But what we learn from our projects is if we empower local communities, helping them document their own cultural heritage and natural heritage, and try to help them create jobs based on integrated management, their cultural heritage, their natural heritage, knowledge today is such, including the infrastructure provided by Google, that

those jobs can be created.

So the second thing I would submit is Google Vision. Why don't you implement Google Vision more in "glocalization?" Not only access knowledge, global knowledge, but document local areas, cultural heritage and natural heritage.

Japan is having this year, the last comment if I may, what is called the First World Economic Forum in October this year, focused on those industries, cultural creative industries. The word ending is not correct, but this is a new era. Why not, with Google ideas, vision, what is going on in the world with the knowledge, in America in this field can applied it more than others? Thank you.

MR. WRIGHT: Great, thanks. We have a very specific question on Google. Then the gentleman down here on the fourth row. Yeah.

SPEAKER: I want to --

MR. WRIGHT: And if you could identify yourself before asking your question.

MR. HURWITZ: Yes, I will do that. My name is Elliot Hurwitz. I'm a former World Bank person and intelligence community and State Department person. I want to congratulate the panel on a great presentation.

Mr. Drezner, I haven't read your report yet, I just picked it up, but I would appreciate it if you could expand a little bit on the historical context of your statement that populism will crest as it has in the past. We've seen Andrew Jackson. We've seen Theodore Roosevelt. We've seen populism, we've seen it crest before. But if you could explain that a little bit more I would appreciate it.

MR. WRIGHT: Thank you. And then one more, Matt Goodman, in the middle there. Yeah.

MR. GOODMAN: Hi, Matt Goodman, CSA. That was a terrific panel.

Actually I was going to ask about Larry Summers, but ask Caroline, because I don't have quite as positive a view of what Larry was trying to say there as David did, but whether Caroline having had this vast portfolio in the White House of working on international economic cooperation thinks that some of that stuff is, as I think Larry was suggesting, not helpful and that, you know, you would throw that away and focus on just some areas where we actually could promote cooperation? Because that's what I read him to say, that some of what you were working on was actually unhelpful. And so if you could -- you had a big portfolio, so maybe you'd gladly throw away some of those things.

But the other thing was just a challenge to the panel. Everybody seemed to think that Brexit was about immigration, but you've also seen, and I think Dan Tweeted it, this study by these Italian economists. They mapped the districts in Brexit that were Leave districts and found that the correlation was not with immigration. It was with the China shock, I mean, the (inaudible) stuff.

MR. WESSEL: Right, I thought I made that point, wages, yeah.

MR. GOODMAN: Where there was another analysis saying it was mad cow. So what do you think is the real -- how do you parse that out?

MR. WESSEL: Can I just respond briefly to the gentleman from UNESCO? I think the thing that's so interesting about Brexit is that there were communities in the UK where money from the EU had clearly benefited those communities, yet those people vote to leave, which tells you it's something else that was motivating them.

MS. ATKINSON: Yeah, that's an interesting point. I also think it tells you that people may not have known that. But you're probably right that it's also something else that's motivating them. There's a little bit there if you ask people do you want to

privatize medicine -- I mean, do you want to have a nationalized medical system here, they say no. And then if you say do you want to get rid of Medicare, they say no. (Laughter) So it's a little bit how things are expressed. But I think you're right that it's not just about economics.

But going to Matt's point, I think it is also about economics and it's about displacement, which you write about, many people write about. And I think that's why, you know, those of us who believe that societies will be better off with openness and allowing for change, really need to think hard about how to facilitate change in communities where it's not naturally occurring. And, you know, you mentioned Google. That's why Google develop programs for promoting digital skills, especially in areas where that may not -- you know, in Northern California a lot of schools do coding, so that's not the point, but in inner cities in the United States or in other places around.

On the cultural point, if I may, Google Cultural Institute does a lot of -- works with a lot of museums and cultural events, also with orchestras and so on, and allows for people to experience virtually many culturally significant and incredible things that belong to particular communities. And I think that's something that Google funds and it's an investment in communities and in cultures as opposed to a business-type investment. And that's certainly something that people are proud of and want to go on doing, and shows, getting perhaps a little bit of the point, that, yes, cultures and communities do matter and differentiation really matters.

I don't know, on Matt's point about what would you throw away, I mean, last year what I worked on a lot was trying to stop Europe from having a -- from the euro crisis getting worse. Clearly there was a lot more to be done, but it wasn't that we didn't succeed in doing. We didn't stop the general fiscal austerity and we maybe made it less bad than it might have been. And then last year I was working a lot on climate change,

so I don't particularly feel like throwing that away. So I'm not sure that I quite get what was embedded in your question.

I do think that to Larry's point of everybody -- the officials should be working for the good of their citizens, and I think Larry thinks this, as well, of course policymakers everywhere should be trying to do the best for their countries and for their -- and it only makes sense to be open if you think that will ultimately support development in your country. But you need to spread those benefits around.

It's like the technological change, you know, technological change, there's lot of research that shows that there are more new jobs created by technological change than the old jobs lost, you know, two and a half to three times. But it depends who gets those jobs and are they prepared for them and have you taken care of the societies?

MR. WRIGHT: Thank you. Dan?

MR. DREZNER: So to the question about populism, I mean, you know, here I'm sort of relying on Sam Huntington's argument that essentially if you take a look at American history there have been very waves of creedal passion that have sort of surged and then declined. You know, I think about Jackson, as you said, would be one example. William Jennings Bryan would be another example. And I think we're in the middle of another one. I don't deny that.

And this book that I'm working on, *The Ideas Industry*, to write this one of the things I've been reading was Richard Hofstadter's *Anti-Intellectualism in American Life*. And that book is actually -- the point of that book is not that America has a strong strain of anti-intellectualism. It's that America's toggled between two poles, which is America loves it's intellectuals sometimes and then reacts against them.

And for me, the most depressing part of the Brexit referendum was that

moment where Michael Gove was asked in a public debate, you know, every single economic agency -- the IMF, the OECD, the city of London --

MS. ATKINSON: Bank of England.

MR. DREZNER: -- Bank of England -- all have said that the United Kingdom will suffer as a result of Brexit. What do you have to say to that? And Gove's response was I've had enough of all these experts. What do these experts know about anything? You know, this whole point of this referendum is to, you know, shrug off these experts. And that worked, you know, which suggests the kind of moment we're in.

But as I said, at least historically, these things have crested and then they've also receded. So, you know, one of the advantages occasionally of waves of populism is recognizing that the populist recipe doesn't necessarily work either.

MR. WESSEL: So can you give us a date when this one is going to crest? (Laughter)

MR. DREZNER: That's a --

MR. WESSEL: Before or after November?

MR. DREZNER: Yeah. I would assume before November. Again, that's the optimist in me.

MR. WRIGHT: The Gove comment, you know, very hurtful for think tanks, as well.

MR. DREZNER: And look what happened to Gove, I would add, you know.

MR. WRIGHT: Well, look what happened to Gove.

MR. WESSEL: What?

MR. DREZNER: I said look what happened to Gove.

MR. WRIGHT: Yeah, lost his job. Shawn Donnan, yeah, and then the

lady over here afterwards.

MR. DONNAN: Hi, it's Shawn Donnan from the Financial Times. I agree with everything that you've said up until now.

One of the things that's striking is we're talking a lot about what is causing this, what has happened beforehand. We don't talk very much about how put together a compelling argument for globalization. One of the striking things I watched this afternoon was Mike Pence, a video that's making the rounds on Twitter of him speaking out for trade and for NAFTA and for trade promotion authority back in 2001. The striking thing about that, well, the striking part of it being that he may be the vice presidential nominee for Donald Trump, but the other striking part about that was how similar the arguments that he was laying out are to -- or were to the arguments we hear today for trade: that all the growth is out there elsewhere, that we need to look outwards, that this creates jobs at home, and so on. And how that argument just hasn't changed.

So how do you adapt that? How do you make a compelling case for globalization? What is the compelling case for globalization that you would make?

MR. WRIGHT: Thank you. So we'll take two more. So the lady over here and then, Jonas, the gentleman beside her. Yeah.

MS. ELLIOTT: Thanks for this really stimulating discussion. I'm Kim Elliott with the Center for Global Development. And my first thought is it's a really rich conversation, but it seems like we need to maybe break apart the different parts of globalization and it seems like they have different dynamics that are going on with the migration being different from the trade.

And then coming to the trade and Larry's column on the responsible nationalism, well, I agree completely with what Dan said about what really would be responsible nationalism, to think about trade. And I think the question about what would

you leave out, you know, I've been thinking a lot about trade agreements and it strikes me, on the one hand -- and this goes, again, to Dan's last book on the system -- I mean, we haven't seen a ton of protectionist backlash, right?

It's not really a going back. It's a concern about new trade agreements, and maybe we shouldn't have new trade agreements or maybe we should have different trade agreements. And I think this is what Larry was saying. I think it goes to the sovereignty issue and democratic legitimacy. And I was just wondering what you think about this, but it seems to me there's sort of three options.

One is no more trade agreements. Sort of keep where we are, if that's possible. A second is narrower trade agreements. And Caroline Freund has written about this on Politico. And a third is to try and do TPP-like agreement, but it strikes me they're -- the sovereignty thing is that those are behind the border, right? So we're not just dealing with border measures, we're dealing with regulatory issues.

So the old ways that we have done trade agreements, of having this very small expert trade negotiators go out and negotiate them, and then have them -- at least in the U.S. context -- go through Congress on this fast-track process, that just isn't going to work with trade agreements that are impinging more and more on domestic regulatory and behind the border issues.

So are those kind of the options or am I missing something?

MR. WRIGHT: Great, thank you. And then Jonas, too.

MR. PARELLO-PLESNER: Thanks for a fascinating and far-reaching discussion. Jonas Parello-Plesner with the Embassy of Denmark, the Foreign Policy Department. My question was actually specifically to you, Caroline.

Among all these trends that you're discussing, which of them now that you've changed from sort of public sector to private sector, which of them are really sort

of seen as worrying or as something for Google as a global search engine that, among all the things Brexit to populism and so on. It might be the antitrust case actually that's most worrying. (Laughter)

MR. WRIGHT: Caroline, I'll give you a few minutes to think about that just so we can maybe start with Dan and then David and then Carolina.

MR. DREZNER: So to Shawn's question, which is a really good one, and I think in some ways this is partially an indictment of the sort of pro-globalization arguments, the line of arguments that have been used for the last 30 or 40 years, which basically boiled down to two.

The first is essentially a quasi-mercantilist argument in favor of if we have these trade agreements, we'll have more exports, and exports create jobs and that's a wonderful thing. I still remember this, Bob Rubin in his memoirs after he left Treasury talked about how once he was testifying in front of Congress and someone asked him like something nasty about imports. And he said imports are actually a good thing, you know. And he sort of pointed out that imports are actually good for our economy. And the reason I remember this is because after the hearing was done, the member of Congress came to him and said you are literally the first U.S. official who has ever said anything good about imports at a public hearing.

MS. ATKINSON: I bet his staff were very worried. (Laughter)

MR. DREZNER: I'm sure they were. But it raises the point that part of the problem is that he's right. But nonetheless, that is a hard argument to make politically and in part because of the way trade negotiations have been structured. This sort of quasi-mercantilist language, you know, that's the argot for pro-globalization people and I do think that potentially has to be changed.

The second issue, and here's a problem for the developed world, which

is that Branko Milanovic chart that everyone has seen, which sort of shows the benefits of the global economy over the last 30 or 40 years. And essentially it looks like an elephant, which means that if you were part of the lower 80 percent of the income spectrum, by and large globalization has been smashingly wonderful for you.

MR. WESSEL: Internationally.

MR. DREZNER: Internationally, yes. Exactly, sort of global population. If you're part of the top 1 or 2 percent, it's really, really been good for you. The population that has not benefited all that much or in some cases has been hurt is between about 85 percent and 95 percent. And guess what, those are American voters. And so that's the tricky part because -- and, you know, this ties into the other arguments, like the NBER paper about the effect of China imports on the U.S. economy. And I think advocates of globalization has to acknowledge that it creates distributional losers and that there has to be something more robust than just TAA in terms of coping with this.

Now the problem here is that that -- I think you can make that argument and still make the case in favor of globalization. I think you can actually make a really good argument on that front. But here you run into these sort of ideological and partisan deadlock that exists in the United States because if you make that argument, you also have to make a case for redistribution. And there are certain political parties led by crazy people right now that aren't going to support that.

And so I think as a result that does -- one of the interesting things I will be curious to see post-2016 is whether or not you actually have sort of a flip-flop in terms of which party is more protectionist, you know, going forward than not. Because right now it's the Republicans that are the more protectionist party, Mike Pence excepted. And I wonder --

MR. WESSEL: He's changed his mind.

MR. DREZNER: Well, yeah.

MR. WESSEL: Yeah, wait till you hear him tomorrow.

MR. DREZNER: Yeah, I'm looking forward to that. (Laughter) But it'll be interesting to see. You know, for all of Hillary Clinton's sort of anti-TPP and so forth, whether or not how she governs, you know, looks similar to how she campaigns. Which actually goes to something I would just say on Kim Elliott's point, which is it's worth remembering that if we were having this conversation in 2008, spring of 2008, before the crisis started, we'd be all bemoaning the fact of the horrible, horrid, protectionist rhetoric of the Democratic primary, when Hillary Clinton and Barack Obama were campaigning about which one of them was going to renegotiate NAFTA better. That said, Donald Trump's rhetoric is absolutely horrifying and it really does scare me, so I'm not trivializing it, but I am pointing that in some ways having this conversation during an election year might distort our concerns about this, and we'll see what actually happens come 2017.

MR. WESSEL: Your first part I agree with 100 percent and I think the answer to that is that the elites are not going to be able to sell globalization to the median American voter. And it requires a commitment to say I have a plan, I have policies that I think will lift the living standards of your children, and it has more than one piece. And one piece of it may be global trade and we have to protect our intellectual property and all that stuff, but it can't be the centerpiece. I think that's the failure.

I think, just so people know, Dan refers to a paper by David Autor and others, who remains a free trade economist, but who observes that, A, imports from China grew a lot more rapidly than economists expected and the negative effects were far more concentrated in some communities and industries than had been appreciated. So for those people who got hurt, and economists always knew people who got hurt, they didn't appreciate either the depth or the concentration of that harm.

So I think the answer is we have to convince people that we, the elites, the people in Washington, the think tanks, the political leadership have some hope of lifting the standards of ordinary Americans and the prospects for their kids. Without that, no trade treaty's going to pass even if you can call TPP the "Anti-China Act of 2017," which is what Hillary Clinton will call it when she endorses on February 1st.

MR. DREZNER: Actually I just want to piggyback one last point to what David said, which is interesting, which is you're right, that in some ways a lot of what drives the U.S. economy has nothing to do with the global economy.

MR. WESSEL: Right.

MR. DREZNER: The U.S. is a huge economy and it's mostly about domestic policy. And what is striking about the Trump campaign is the degree to which it is totally lacking in domestic policy content. You know, his diagnosis of what is ailing the U.S. economy is literally globalization. He has no other answer on this, which I find fascinating.

MR. WRIGHT: And evil other countries taking advantage of the U.S.

MR. DREZNER: Right.

MR. WESSEL: But it's not surprising that -- we all know that part of the dislocation of a lot of American workers has something to do with technology, but no one wants to campaign against your phone. I'm going to get every American to give up their phone so we can have more workers.

MR. DREZNER: I think in the post-Pokémon Go era, though, that we should reconsider. (Laughter)

MR. WESSEL: Starting rethinking that?

MR. DREZNER: I'm just thinking we should consider that.

MR. WRIGHT: Caroline?

MS. ATKINSON: Yeah, so on technology, I think that what's most important, I don't know about what concerns me most, but what I think that a company like Google needs to focus on is -- and I mentioned that in a way it's nice, for me personally, to be working at Google because it is a company that has this in its DNA, is how to make technology useful and available for everyone. So it's really about sometimes that's part of education, sometimes that's part of figuring out how to support jobs. And actually, as I've learned in the last few months, a lot of what Google does makes it possible for small and medium businesses to enter new markets and to advertise in a very different way from before and so on. And all of that work, including the cultural stuff the gentleman behind you was referring to, is a really important -- needs to remain a really important focus.

MR. WESSEL: Can I just make one more point? I also think that what's troubling now is that none of these things are easy to solve.

MS. ATKINSON: No.

MR. WESSEL: And they're much harder to solve when there is just an absolute lack of trust the American people have in their political leadership. They wouldn't be easy to solve if we did, but, I mean, it's just really remarkable. And the campaign, it's almost like design. What can we do to further erode Americans' confidence in their politicians?

I was at a thing with John McCain a couple of months ago and he noted that the fraction of people in polls who say they have confidence in Congress is so low that we're down to paid staff and family members. (Laughter) He says the bad news is I just got off the phone with my mother. We're down to paid staff. (Laughter)

MR. WRIGHT: So I think we have time for a lightning round of very quick questions, so just keep your hand up if you have a very short question. The gentleman

over here.

MR. WESSEL: Stand up so we can see you.

MR. WRIGHT: Keep your hand up. Yeah, perfect. There's a microphone beside you.

SPEAKER: Thank you guys again for holding this panel. So this question is off of what Caroline said about having politicians who do what's in the best interest of their constituents. But do you see David Cameron's decision to hold a referendum as undermining doing what's best in the constituents' interest?

MR. WRIGHT: Just there in the back, yeah.

MS. THOMAS: Martha Thomas. Thank you very much for a very engaging conversation. I think this question might be Dan Drezner.

As the developing world -- the growth slows in the developing world, should we shift to what's illiberal democracy and what would this mean, if so, for the norms and institutions that the West has fostered since World War II?

MR. WRIGHT: Thank you. And then one final question just here in the middle.

MR. RAMÓN: Cris Ramón at the Elliott School. Just very quickly, the elections in Spain, the Partido Popular came in first in December, those elections you saw Podemos and Ciudadanos as major players. How should we interpret these results? Obviously some of it reflects the fact that people were not comfortable with the negotiations, but how can we interpret this in the wake of Brexit?

MR. WRIGHT: Great, thanks. Maybe each of you could choose one of those or, you know, just say something else entirely in terms of wrapping up. (Laughter) And why don't we go in reverse order than we were at the beginning, so we'll start with David.

MR. WESSEL: Well, I'm not expert in Spanish politics, although I've just come back from a vacation there, so by Brookings standards that makes me an expert.

MR. WRIGHT: Yeah, if you fly over a country twice you're an expert.

(Laughter)

MR. WESSEL: I think that what's interesting about what happened in Spain is, as in the United States, how polarized they are. So they have an election that is unable to get -- the prime minister is unable to get a majority. They have to call another election and they still don't have one. So I think these are difficult issues and clearly the Spanish people are divided. And the political system is having trouble coping with that. And that goes a bit to my being about lack of confidence in government.

I mean, sometimes gridlock is good. Let's not forget that the founders of our democracy wanted to restrain government and prevent them from doing too much. They did a great job. But sometimes it's a problem, and I think that it's going to be difficult for the Europeans to negotiate with a Spanish government that doesn't have the majority of its people behind it and there will be no government that has that.

MR. WRIGHT: Also, just before we turn to Caroline, it's also interesting with Spain that they've made Gibraltar a major issue for the Brexit negotiations. So it's a sign of, you know, how --

MR. WESSEL: Well, I look that there's going to be some country formed. It's Gibraltar, the city of London, and Scotland and Northern Ireland, and that will become part of the European Union, and England will then become like Puerto Rico for the United States. (Laughter)

MR. WRIGHT: Without the weather. Caroline.

MS. ATKINSON: I'm not sure that's a great thing. What I meant just going to the issue of what should governments, policymakers be thinking of, global good

or national good, and I do believe that every national politician owes it to their constituents and their voters to be arguing for things and trying to make policy that is in their national interests. But I also believe that it's not a zero-sum game and that you can have international progress, and, in fact, I believe that international progress is more likely to drive and be complementary with national progress. And a politician acting in their national interest will often, certainly on the economic side which is what I know about, and I think actually also, in many cases on the technology side, will also -- cooperation will be a part of what helps to drive national interest. So maybe cooperation is a slightly different thing from the loss of sovereignty.

MR. WESSEL: But I think one of the points that Larry Summers was trying to make is people have to be convinced that this international cooperation is their interest.

MS. ATKINSON: Yes, absolutely.

MR. WESSEL: And there we have failed.

MS. ATKINSON: Yes, I think that's right. I think that whichever one of you was saying about how you describe -- as Shawn pointed, there's no point going back to describing everything in the same way as it has been before. And we need to listen and think how to explain and how to maybe change things to make sure that people that feel left behind are not actually left behind.

MR. WRIGHT: Thank you. Dan?

MR. DREZNER: So I'm going to close on a depressing note.

MR. WRIGHT: Oh, no, don't do that. (Laughter)

MR. DREZNER: So you asked about illiberal democracies. I'm petrified of this. The book that I'm working on now which is coming out next year sort of talks about three trends that are basically making it harder. They make the marketplace of

ideas in terms of policy that much more difficult. And the three trends are, first, which David referenced, the erosion of trust in all forms of institutions, not just political institution, it's all institutions just generally. Second, the rise of political polarization, which is not just unique to the United States, but is more a global phenomenon. And third, this sort of rise of inequality, which means there is now a sort of plutocratic class that can fund their own pet ideas even if those ideas don't necessarily make all that much sense to anyone but them.

All three of these things combined essentially guarantee that certain crazy ideas that would otherwise be totally destroyed in the marketplace of ideas can actually survive and even thrive. And so that's the thing that I'm actually most concerned about, that in response to -- on the one hand, these trends all lead to a demand for interesting ideas or new and innovative ways of dealing with challenging policy problems. The problem is that I think it just leads to a whole set of crazy ideas or heterogeneous ideas, some of which might actually be virtuous, but a lot of others that would otherwise have been, you know, brutally winnowed away. And that's the part that really worries me is the notion that whatever form of democratic discourse we have, it winds up to a set of policy prescriptions that any expert would tell you would make no sense, but it doesn't matter because they're not going to listen to experts anymore.

MR. WRIGHT: You don't have anything upbeat to finish on?

MR. DREZNER: It could be that, again, we've crested. (Laughter) I mean, I'm describing this right now. it could be getting better.

MR. WRIGHT: Till November 7th, that was your projected date, right?

MR. DREZNER: Right. No, look at it this way, if nothing else --

MR. WRIGHT: The day before the election.

MR. DREZNER: -- the rise of Donald Trump might actually demonstrate

the limits of this sort of thing and, indeed, even the limits of political polarization in the United States.

MR. WRIGHT: That's a good note to end on.

MR. DREZNER: There you go.

MR. WRIGHT: Thank you. Thank you, Dan. (Applause) You all preempted me with the applause, but I would like to thank Dan, Caroline, and David, and thank all of you for coming. And we look forward to seeing you again.

MR. DREZNER: And thank you to (audio drop) thing for Brookings and she deserves a round of applause for putting this together. (Applause)

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