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'THE DOOM LOOP' AND THE FUTURE OF THE GLOBAL ORDER

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WELCOMING REMARKS:

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COULIBALY: Good morning. Good morning everyone. If you can please find your seat and we'll get we'll get started. My name is Brahima Coulibaly. I'm the vice president of the Global Economy and Development program here at Brookings. It's really a really pleasure to welcome you today for the launch of Eswar Prasad's latest book, which is "The Doom Loop: Why the World Economic Order is Spiraling Into Disorder."

Eswar Prasad is one of the world's leading economists and I'm really fortunate to count him both as a close colleague and a senior fellow here at Brookings. He's also the Tolani senior professor of trade and policy and professor of economics at Cornell University and a research associate at the National Bureau of Economic Research. Many of you will also know Eswar as the author of "The Future of Money," a book that became a required reading for anyone trying to understand how digital innovation is reshaping currencies and finance. And which was listed as one of the best economics books for the year when it came out in '21.

In this latest book, "The Doom Loop" Eswar turns attention to a question that is impossible to ignore these days. Why does global order feel so deeply unsettled? Why are the forces we once thought were stabilizing? Like globalization, economic integration, international institutions are now generating instability, fragmentation, and distrust. Each one argues that the global order is caught in a destructive feedback loop, or the doom loop between economics, domestic politics, and geopolitics. We will hear directly from him on how the doom loop works in the just a moment. But what makes this book especially compelling in my view, is that it does not treat today's disruptions as an isolated crisis. Instead, it offers a way of understanding how economics, geopolitics, and technological change are increasingly reinforcing one another. And why strengthening our global institutions matter for shared prosperity and stability. The book is a must-read for policy makers and citizen trying to make sense of a global order under strain and what can be done to fix it.

So, we are very fortunate to have with us Claire Jones, the US economics editor of The Financial Times as moderator of the panel with Eswar, Alyssa, and our former colleague Jay Shambaugh. Together, they bring a range of perspectives on the themes of the book, how the global economic order is evolving, and where the biggest risk lie and what can be done to steer the system back toward cooperation and resilience despite the title. I hope there's a positive story in this and that in your remarks feel free to touch on some of those. We can all use a dose of optimism these days. But before I turn it over I'd like to remind you that “Doom Loop” is available again for purchase near the registration desk, and Eswar would be available to sign copies, and it's also available online or anywhere where you buy your books. So let me once again thank our audience for joining us, both in person and those online for what promises to be a timely and very important conversation. So with that, let me turn it over to Claire.

JONES: Thank you for those introductory remarks. It's a real pleasure to be here at the Brookings Institution today to be joined by Eswar and also by Alyssa Ayres, who's the dean of the Elliot School of International Affairs at George Washington University and her departmental colleague and former Treasury official Jay Shambaugh. You started the process of thinking about this book back in 2022. You then started the writing process in 2023. We get to 2026 and it looks remarkably prescient. So how did you manage to see, foresee the scenario we were gonna be in to all those, well, not all those years, but a few years ago?

PRASAD: So, I started thinking about these issues, and I'm in a very fertile environment for thinking about these issues. Brahima Coulibaly, who I count as not just a colleague and a friend, but somebody who has thought hard about these issues has, it's emblematic of Brookings, a place where many of these issues are in the ferment. Anytime you go to the cafeteria, people are thinking about this. So back in 2022, one of my great supporters, my wife Basha and I were talking about these issues and trying to gain some clarity about what is going on in the world, a topic that often comes up at our dinner discussions. And so, I started thinking about what may have brought us to where we are, but more importantly, the objective of the book was a little different. And I had a completely different, much more cheerful book in mind to be honest.

In the 1990s, with the demise of the Soviet Union, the United States became the dominant power in every respect, economic, financial, military. And now we are in a state where at least economic power is much more evenly distributed between countries with emerging market countries like China and India rising up the economic scale. As an economist, one thinks instinctively that in most circumstances, competition is good. It means that no country can go out of whack with its policies. Competition is also good for efficiency, for discipline, and for stability. So, the cheerful version of the book, which my poor wife endured initial chapters of, was that we were going to think about the forces that could take us back towards stability.

The problem was that as I thought about each of these forces, globalization, the role of the middle powers technology, the rule of the game is embodied in international institutions. I came to a much darker conclusion, that in fact, each of these forces might in fact be generating more instability. So that's why the “doom loop” became the framing theme of the book. But I should say, Claire, that I actually finished a full first draft of the book in October of 2024. I read it at the end of that month, and I said, man, this is too dark. Let's just wait for the elections, maybe some things will get back into balance, and maybe I should really think about whether this thesis of the book holds up. Sadly, for the world, fortunately for my book, perhaps everything that has happened since November 2024 has, if anything, turbocharged the thesis of my book.

And I think this is really not a book about the United States. It's not a book about the about Trump. It's not a book about the present moment. But really all of these forces seem to be in play even before, and we see them play out around the world. And one example is of course, that of globalization, which you know, used to be seen as a positive sum game where countries could benefit through trade and financial flows between them. And this would offset the zero-sum game of geopolitics. But now even trade is being seen as a zero sum or negative sum game and it's infected domestic politics. We've seen that play out very clearly in the United States, but in many other countries as well. And in turn, that is affecting geopolitics. So that in a sense, is why we are where we are: the doom loop.

JONES: You pick up there, very interestingly on the zero-sum game nature of what's been proposed on trade at the moment. In a book that's been quite critical of the system that went before it. So how do we escape this doom loop in a way that doesn't lead to these zero-sum games, but at the same time challenges these forces that have ended up causing a lot of more instability than those who previously championed them thought they would?

PRASAD: Yeah. Thanks, Claire. And this gets back to Coul's question, too. Is there a way out the doom loop? But towards the end, maybe we can talk a little bit more about the broader solutions. But on the specific aspect of globalization, there's been a fair bit of work by many other authors as well, making the point that the benefits of trade are clear and measurable. The problem is these are not very well distributed between countries or in some cases even between within or between countries. And this creates a disaffected class now. In a market economy especially a dynamic market economy like the United States, there is always churn. There are some industries that are winning, some industries that are losing, some firms that do well, some that don't.

So, there are people who are going to be in transition from the declining to the ascending sectors. Now, the problem here is that there is a disaffected class that has felt that not only is it losing jobs, but it's losing opportunity. And this is where the tie in with the fragilities of our democratic system, which we still think of as the paragon really starts coming into play. I think there is a sense many people have that the political and economic systems are set up to work for the elites, and they don't need to do anything illegal or illegitimate. What they do is capture the political process. So, if you look at regulatory policies, tax policies in the United States, there is a feeling.

That these are all essentially being shifted in a direction that favors those who are already benefiting from globalization and other forces. And this creates a potential for skilled politicians. I refer to them as false populous in my book because it's not clear they have the interest of the common man in hand man or woman at heart. But it creates this opportunity for those politicians to play to the politics of resentment that is to blame the other for the problems that they face. And the other could be immigrants. It could be the political and economic elites, it could be China but essentially deflects attention from failed policies domestically.

And if you were to think about globalization for instance, there is going to be a set of winners. There are going to be a set of losers. But I think what we need is much more fairness. We need the ability to have social safety nets, a love for a transition. For people from declining to ascending sectors. And right now, what we are seeing in the United States and many other economies is a sense that the political system is being captured. And in addition, even the economic system is not really helping those who are suffering as a consequence. So, there is a lot that I think needs to be fixed.

JONES: Absolutely. And I'd like to change now, to turn now to, to Jay. You served as undersecretary of international affairs in the Biden era, US Treasury under Janet Yellen. Where I think it was fair to say there was a recognition that globalization produced losers too, and there was a disaffected class. I remember Janet Yellen talking about how many, what had happened to manufacturing jobs since China joined the WTO and so on. So, I'd be really interested in hearing about what the discussions were like when you were at. In the room representing the US in the, the multilateral policymaking process during a time where there was a recognition that there were winners and losers.

SHAMBAUGH: Yeah. Thank you. And first let, just thank Brookings and Coul for having me here. I this, I really enjoyed this book, recommend it to all of you. And it's also great to get to share a panel with my dean as well, which is fun. So, I, I think the first thing I would say is all of my experiences in global economic diplomacy, I think it's important to recognize now their history in a sense that we're never coming back to that. And I think the book does a very nice job of that, of talking both about the structural forces that are changing things, but also there has been a break and we're never going back to the multilateral order that we had. I think the Trump administration has done things that have. Whether it's, tens of thousands of people dying because of the way U-S-A-I-D was ended, or extortionist attitude, things like that.

Like the US will never be trusted in the way we were. And I'm not sure frankly, we'll deserve to be. And I think that because it's important, I think because to me, when we were in those rooms, people would often refer to a US led multilateral order, but it was a multilateral order. It was not just the US kind of determining what would happen. First of all, at a minimum it was, you would say the US plus allies, often the G7, but plus friends, but often, much broader coalitions than that on most issues. And I think the key was that most of those countries, and when I was in the role, I think we felt this way too. We thought we were trying to create a multilateral order where.

Things that were good for everybody, were good for us. So, it wasn't like we were being purely altruistic. It wasn't like we were taking costs. I think the current administration views the US leadership as a cost. I think they're wrong about that. I think we got huge benefits from it, but we tried to run what we were doing in a way that was beneficial to everyone. We viewed debt crises around the world as bad for us. They were worse for the countries who were getting hit, but they weren't good for us either. And poverty around the world was not good for us. We both out of our own values, but also out of our own interests, viewed it as a world where you wanted to try to deal with these things.

And so, I think in the global sense and the inequality across nations, sense on, on that part of it, I think the view really was what can we do to make the world economy function in a way that works for everyone on the. Domestic inequality side. I think that's a harder answer from those rooms because realistically, I think I agree with SBAR that much of what needs to be done isn't what needs to be done in those rooms. What needs, it's what needs to be done domestically. And how do you deal not just because it's not just globalization it's often the way that globalization is interacting with technological change and all that kind of thing that. I don't think you solve that with international agreements.

You solve it with having sound domestic policies. But I, this, the last thing I would say though is because of the way I view that world had been working and I, with apologies to, to quote for injecting even more pessimism, the, when I saw the title of this book, I thought, okay, good, someone is as pessimistic as I am. And I came away thinking no, as far, still more optimistic than I am. And it's largely because I do think there are many criticisms of the way the world was working. Many of which I think are aired in the book in a very balanced way of talking about the way different countries were uncomfortable with whether it's US or G7 leadership on issues.

But because I think those countries were often not always but often acting in a way that was viewed as upholding world norms. Like when the US use sanctions policy. Not always, but most of the time it was first of all, in a multilateral sense and second of all, aimed at, stopping money flows to terrorism or stopping proliferate proliferation of nuclear weapons or stopping countries who were trying to invade other countries. And so having, I viewed that as a positive thing or, all the work that the US and other countries did around replenishing the, the World Bank's fund for the poorest countries, things like that. Crucially important to the world. And I think the end of us leadership on those things, I think will actually leave a vacuum that I think the world will be worse for. And so that's what worries me about not just all the things that are the doom loop, but I think what we've lost is really gonna be a problem.

JONES: Did you, you know this that the issues with inequality within nations can't really be solved at the G7, but did you find a bit, there was any tensions between. The sorts of measures you were trying to take on, say, industrial policy when you were in these G7 or G20 discussions?

SHAMBAUGH: Yes. Yeah, so the things that the, the Biden administration was trying to do a number of things either for economics, climate or economic security around industrial policy that other countries sometimes didn't like. I think it's fair to say. And they viewed them as too self-interested. I think that led to conversations where you just had to work through how you were thinking about things. And I think I think diplomacy is important and I think even the book talks a lot about the challenges between the US and China and challenges the Chinese economic model poses for the world economy.

And even there where we had strong disagreements, I think the diplomacy was important because I think you can, if you can clearly communicate why you were doing what you were doing for your own self-interest and that you are trying to mitigate the ways in which it might hurt somebody else, that can go a long way towards preventing conflict and having a doom loop at the global level where things fracture take place. And so, I think even when you were trying to take actions domestically that you viewed as important for yourself, being able to explain why you designed them the way you did and take into account other countries views I think is just important.

JONES: Okay. So, for that alone, the G7 was good at handling that tension, if you like? Might not have felt like it at the time, but...

SHAMBAUGH: We didn't always agree, but I think over time we did. And I think in particular, when the US passed the IRA, there were a lot of countries, most notably in Europe who were. Not happy. Yeah. And I think over time they recognized better how it was designed and recognized. Why it was designed in a way often to try to, it was the only way the US was going to approach climate A and B. It was in many cases trying to deal with spillovers from Chinese industrial policy that they themselves started to recognize actually maybe we should be aligning with you and trying to pressure China to change rather than complaining about your subsidies, which actually realistically are smaller than ours to begin with. And maybe we don't have as much of a fight as we thought we did.

JONES: So, I'd like to turn to Alyssa now. Jay, you noted that we're not going back to the world as it was, which echoes what Mark Carney said in his speech in Davos, where he gone a lot of praise for essentially telling middle income countries to not mourn, but move on. Do you agree with Carney's view that when it comes to middle income countries, they're ill served by nostalgia for what's gone in what for a world that might well have disappeared?

AYRES: He, that speech is important. I agree that it was an important speech and marked a moment of thinking about foreign policy and international economic policy really in a way that does depart with the past. And here I would also echo, congratulations on writing a very prescient book because I'm not sure four years ago we would've predicted where we are today. Mark Carney's speech is not only a call to middle powers, not to be nostalgic, but for them to think about pursuing their own interests.

In ways that are quite different from, I think, the way middle powers thought about how they would pursue their partnerships, alliances their own national interests perhaps 10, 15 years ago. Any speaks very specifically about taking time to create new forms of issue-based coalitions as opposed to relying on long understood the architectures of our 20th century alliances to help lead us forward moving in the same direction. And I think that's the break with the past. And that break with the past is an acknowledgement that the United States is not leading a rules-based order in the way that we have in the past.

We are experiencing things in different ways. I think it's fair to say on a bipartisan basis, many Americans don't feel that the global economic order has benefited them. And so, as Jay said, there's domestic policy implications there. But some of the global policy implications are we have moved away from promoting and wanting to lead a freer and fairer trade order that has at its core a world trade organization that can serve as a neutral arbiter of disputes. And that can help frame rules that would apply to all. We're not in that world anymore. And the Carney speech urges countries to think about how they identify what their interests may be, if it's a critical minerals set of interests form a group of alliance. He mentions that specifically and pursuing issue-based coalitions.

When I read that speech, I thought to myself, this, in many ways is a call for pursuing a type of foreign policy that frankly looks like India's foreign policy, which is a long-time policy. It used to be called non-alignment, now is referred to as strategic autonomy. But it is a very clear and principled desire not to enter into alliance relationships that may be perceived as binding future decisions but rather taking decisions on issue based. With coalitions that may have similar interests at that time on that issue.

And that creates, that's not a kind of clean and streamlined world that looks very different now. There's gonna be a lot more frictions in that world.

JONES: I think that's a really interesting point. Like you say the kind of like the movement towards a kind of like issue-based coalitions, what can you see as the pros and cons of that pros such approach?

AYRES: Sure. Pros, you may find partners that you agree with on issues X, Y, and Z and you can work quickly to do whatever you'd like to do on that. Whether, again, I just, critical minerals came up in the Carney speech, so using that as an example, but the cons could be much more extensive than we could see initially. You could have groups that create their own kind of engagement on sort of trade and commercial access. You could have small little balkanized groups around the world. The whole idea of having a global trading order was to lower those frictions by having a kind of common set of norms around the world.

Of course, it didn't work out fully in that way. There are all kinds of tariff anomalies and non-tariff barriers that the United States has long complained about. I'm not saying this was perfect. We do regular annual reports on problems with global trade as perceived by the United States. So, I'm not saying this was perfect and that everything flowed smoothly and without inhibition. But I think when you have smaller groupings, it just creates a lot more compliance challenges. That in the digital global order as you have written about where there may be one set of rules for a particular set of requirements. Maybe there are privacy rules in one region that are quite different from another region, but you've got a global country co company that has to find ways to comply with all of these different architectures.

So, I think having smaller groupings like this on issue basis, it will work for now for some time, but it does create more compliance challenges higher burdens for compliance. And definitely doesn't create a, a smooth flowing international architecture that's clear and transparent to all. I think what's happening right now with tariffs it for countries and companies, people are having to create huge, big lists to monitor. And as things change even month by month, it's very difficult to determine actually, how do you trade from one country to another? What's the components from one country that might be intermediate. These are huge, big questions now that are making everything a lot harder than they might have been 15 years ago.

JONES: Absolutely. So, while Carney may have a point that the middle powers need to rethink how they act in this world, we're far from a first best solution. If there's gotta be these kind of groupings by issue rather than by a kind of overall global order. I'd like to bring in now one of the questions we had in the run up to this debate from the audience, it's from Jerome Deto, who's a senior economist at the A FDD group who asks what are the insights for Asian, lower income and middle-income companies from of countries rather from some of the points raised by the book. Alyssa, I'd like to turn to you again if that's okay. Just because you work for the State Department in South Asia, so you have an awful lot of expertise.

AYRES: Yeah, I, that was interesting. We, this question came in advance, so I was reflecting a little bit on it, and one of the things that struck me the most about this question is I think for certainly lower- and middle-income countries, the big questions about how to move from poverty of prosperity are now open. They're open in a way that maybe weren't 30 years ago. And I've worked a lot on India. And so, the question for India, I'd say for about 15, 20 years has been. How India can create and grow the contribution of its manufacturing sector to its GDP. And the idea of that would be, and you write about this job creation for its demographic, dividend, very large, youthful population, how to create jobs for many hundreds of millions of people who need good employment.

And that was the story of economic growth and prosperity across East Asia, certainly China, South Korea, this was the Japan story. Is that pathway still open today? And I think that's the big and worrying question. Absolutely. If that window is closing or is almost closed, then we need to be thinking globally about different pathways to prosperity. I, I will say, and not at all an expert in this space but I think what everybody is worried about now. Is the effect that AI will have on employment not only in lower- and middle-income countries, but in advanced industrial economies, in services sectors. What is this going to do to all of us?

And we don't know the answer to that raises many questions. You touch on this a bit, but it's a huge open question for the rest of the world. What do we do now? What comes next? What should lower income countries aspire to as they try to create policies that will allow private sector to flourish and create jobs and create growth and create opportunity for their citizens?

JONES: We shall come more to the AI Bogyman

AYRES: Yeah.

JONES: A little bit later, along with other technological issues, which you raised in the book very well. I think Jay, I just wanna bring you in now. I mean on not just Asia, but the global south more broadly. There's a lot of talks about a BRICs alliance. Yeah. Is that a way forward for middle income countries or do you have your doubts?

SHAMBAUGH: I don't think so. And I don't think so for reasons that are very similar to what Alyssa was just talking about and what Eswar talks a lot about in the book. The, especially when people try to hold up to say there's the G7 here and the BRICs over here, I just think it's just a radically different groupings of countries, not just because some are higher income and some are emerging market, but the G7 countries tended to up until January 2025, have far greater alignment on values on how their politics were organized around democracies, on market economies, on a belief in trade and a belief in upholding a certain kind of multilateral world order.

It just means that you can speak as one voice a lot easier and have commonality that's just not there for the BRICs. And I don't say that critically of them. They just, they don't have common interest on many things. For starters, some of them have border disputes with one another with makes it a little awkward. Like they are not militarily aligned in the same way that the G7 are. But on top of that just, you look at the countries are so different, and it gets even harder if you start adding countries with which they have tried to do to some extent. And I think when I look at it, they just are on so many issues, not aligned.

And I think some of it goes to what Alyssa mentioned in the book mentions about India's choice to be strategically autonomous and go issue by issue who would agrees with and things like that. They don't agree with China on everything. They don't agree with South Africa on everything. Brazil certainly doesn't agree with China on everything they, so you get very different views and that's just, frankly, even setting aside Russia, who I think many of them, if it weren't for a legacy politics would have ejected from the group in many ways 'cause they're not helping. And so, I think an example of this is, I won't spoil the book, but that there's a nice section of the book talking about India's G20 presidency and the importance it attached diplomatically to getting a communique at the end. And it does. It doesn't have too much about the fact that it did not get a communique at most of the ministerial.

In fact, I don't think any of them. And what that means is the 20 countries couldn't agree, which the head of the G20 gets very frustrated by 'cause. They're like, come on, everybody just agree. But the thing to point out is the countries that prevented the communiques were not the G7. In fact, we were India's closest ally at these meetings. The person who was my counterpart for India who was running the process, kept coming to me to see what are we gonna do about this? How do we get this across the line and appreciated our help. And the two actors that kept preventing commune were Russia and China. And so, like the BRICs were nowhere near agreeing with themselves, like on hard stuff, let alone the stuff where all 18 other countries agreed.

Like the communique at the, their first ministerial, they had opens with a paragraph like paragraphs X through Y are agreed to by all countries, except these two paragraphs that Russia and China do not agree to. So, India could get everyone else but could not get them. And to me, I think that's emblematic. People talk about a BRICs currency; there's not gonna be a BRICs currency, right? There's not a G7 currency. Like you're not gonna have all these countries have one central bank and agree to one monetary policy. That's they might come up with, to be clear ways to get around what they view as choke points from the US or the G7 and the dollar.

And there I do think. You could see, but it wouldn't even necessarily just be the BRICs. It would be any country that views the US capacity, use the dollar as a choke point for sanctions, as a geostrategic risk for them. And they need to find ways to trade without facing those choke points. I think it's harder to do than it sounds, but that kind of thing you can see. But that's like an issue by issue. Where do we need to work together as opposed to we're a coherent block who's gonna try to do something?

JONES: Can I ask you to pick up on these themes now? Please? Thank you.

PRASAD: The world is now stuck in a very difficult place. There are these two superpowers. Russia has a lot of nukes, but it's not really a power in other dimensions. So, these two are seen by the world as very unsavory alternatives. On the one hand, you have a country that did provide global leadership. It's not only seating that role, but it's aggressively, pushing away other countries. So as Jay has indicated, it's become seen as an untrustworthy and unreliable ally. On the other hand, you have China that wants to behave like the adult in the room to say that it is the defender of multilateralism, of globalization, of free trade and so on. And I can tell you at Davos they were trying very hard to sell this story, but the problem is the world is not quite buying it because there is a lot of distrust in China, particularly given its institutional framework.

So, to pick up on what Ali has said about countries that are stuck here in the middle, the issue-based alliances approach certainly is a practical way to move forward. And so, Carrney speech which did much more eloquently. What I tried to do in my book is make two points. One is that instability is a norm. We, where I get used to it. And second, we just have to be practical. We are not going to agree on everything because the middle powers, which is basically everybody else includes rich countries, poor countries, small, large countries, and so on. And some of them, as Jay mentioned, also have border disputes.

So, this is not going to be a very cohesive group. The concern I have is that when you have issue-based alliances, those are not built on any underlying sense of common values or deep trust. I know, as Jay pointed out until recently, the G7 was a very cohesive group because they shared values, even if they didn't agree on everything. And that is what is missing right now. And so, I worry that the middle powers rather than, becoming sources of stability, which as I mentioned in the cheerful version of the book, was one of the forces that will lead us back to a better world now have become sources of instability. So, when you think about the Russian innovation of Ukraine India did not participate in the sanctions because it viewed, cheap and plentiful oil is useful to its economy.

On the other hand, it sees its fundamental values, is aligned more closely with those of the west. So, it teeters from one side to the other, which works well for India under certain circumstances, but means that it doesn't really serve as a force for stability and for the smaller countries, and even for larger countries. Prime Minister Carney of Canada, Prime Minister Starmer of the UK—if he's still the prime minister, you never know these days. They went to Beijing, but the sort of deals they came away with were very limited because the other problem right now, and Jay touched upon this in his remarks, is that we have a situation where the largest economy in the world, which is the biggest driver of final demand, is putting up tariff barriers, the second largest economy in the world. Now it's a very unbalanced growth model. Last year, China had a $1.2 trillion trade surplus in goods.

Which means that they're counting on the rest of the world to pull them along. So yes, going closer into China's economic embrace seems wonderful because China's opening its arms wide, but if you go into that embrace, it means that you open up your markets even more Chinese goods. And you feel that your manufacturing sector, whether you're an emerging market economy like India, low-income economy, or an advanced economy like Germany or France, your manufacturing sector could be severely threatened. So, the world really doesn't have very good alternatives right now. And I fear in particular for the smaller countries, which are caught in this very difficult trap at the moment.

JONES: This is all sounding very doomy, I have to say. But you’ve been one of the foremost experts, I think in terms of in recent decades of talking about, China's economy through these global prisons that you discuss in the book. So how would you characterize the US China relationship since the turn of the millennium and how do you see it today? And was there in any sense that were some of the tariffs introduced during the Biden administration? In the first Trump administration, and then carried on to a large extent in the Biden administration, or the approach even taken today was warranted at all?

PRASAD: So, about the dooms in the book, we need to find solutions. Yes. And Coul has asked me to talk about them. I will. First of all, I think it's really important to understand. What are the dynamics, what are the forces and the interactions between them that got us to where we are? Unfortunately, my publisher thought that is something the world needs to hear about. It's a start. It's not the end point, but I think it's something we need to have a better grasp of. Going back to one of the themes of the book, if you think about globalization, especially business interests, they can be a bridge across geopolitical divides. Globalization's benefits are phenomenal.

It's not going away, but it is fragmenting along geopolitical lines. So, what we are seeing is a trade and financial flows are increasing with the country's geopolitical partners. And this means that trade no longer acts as a bridge between those geopolitical drifts. It ends up deepening them. And the US-China relationship is a perfect example of this. American businesses once upon a time had a very strong interest in the US maintaining a stable relationship with China. As China was opening up its markets ostensibly in the two thousands, American businesses lusted after the Chinese market, which was growing fast. American financial institutions wanted to sell their services to a fast-growing Chinese middle class and wanted better services.

So, they acted as a bridge. And of course, many American firms use China as an important part of their supply chains to this day. So, when China did not seem to be playing by certain rules when China seemed to be using its currency's value in order to gain an unfair advantage by manipulating the value of its currency, there were forces at play here in Washington that said, let's keep balance. That is gone because I think American businesses have understood that there is never going to be a level playing field in China that there is never going to be complete market access. So, they're no longer the balancing force. So, I think we are in a difficult situation right now where of course, hostility against China has become, a bipartisan theme in Washington dc And the other issue is when you think about manufacturing, China has become upper middle-income economy.

It's fast rising to upper middle income. It doesn't want to stay with low wage manufacturing. It wants to move up the value-added chain. These are precisely the industries that the US wants to develop as well. If you think about something like ai, there is not constructive competition between the two countries, but much more conflict because there is a sense that this is going to be a winner take all industry. So, both countries going back to your earlier question, are using industrial policy. Trying to pick winners and losers. And ultimately this tension is going to be very difficult to resolve. And unfortunately, while sometimes competition can be very good in increasing efficiency in getting everybody to up the game, I think we are now seeing this competition move in a destructive fashion towards the lowest common denominator.

JONES: Could I bring in Alyssa and Jay on the US-China relationship. What's your, what are your views on it?

AYRES: Maybe I could take this from the direction of thinking about the role that China has played as a provider of foreign assistance through the Belt and Road and the kind of competition for influence that's created with the United States. And this is all changing now, as we know. But, and you touch on this in your book, one of the things that you referenced, and I think this is really important, was the way that the creation of the Belt and Road brought investment typically for infrastructure development. Two countries without necessarily asking for a certain level of quality of governance or governance reforms.

That would've been the hallmark of US types of investment in this space. The United States in foreign assistance had moved out from infrastructure investment, but retained some of that through, for example, the Millennium Challenge Corporation that does have a scorecard that requires countries to be at a certain level of good governance quality in order to qualify for a compact. China doesn't have those kinds of requirements and so what goes along with the Belt and Road investments is not a sort of move up to high quality governance, but rather what might be a political investment that benefits Beijing. We've also seen with a number of countries in South Asia, like Sri Lanka and Pakistan, have found that they are saddled with large debt burdens. The full extent of that is not fully known 'cause it's not completely transparent. But this has created, in the case of Sri Lanka, also an indebtedness.

And you write about this too an exchange of a port to have some of this debt written off. So that's a kind of very unusual approach to infrastructure development around the world. It's hard to say where this all goes because the United States Foreign assistance. Procedures and agencies, this is all in flux. We've seen the dismantling of what used to be USAID and how that will be reconstituted under the State Department is still a work in progress.

The MCC remains, the Development Finance Corporation remains, and they are focused on infrastructure development. US exports to play a role in that but on a much smaller scale than of course is the extent of the kinds of infrastructure investments China is making in lower- and middle-income countries. So that, that has created a, an environment where the competition for influence is really about just what the investment is that a country can provide as opposed to the overall benefit that might take place within a decade or so.

And that's been hard for the United States to confront and manage diplomatically. Because I think as us diplomats would approach these questions with countries by saying look, our overall support will benefit you in the long run. It will lead to sustainable investments. And I'm just not sure that's how every country is gauging opportunities at this moment.

JONES: No, absolutely. And I think, the Belt and Road piece, it kinda speaks to what you were discussing earlier about Carney and the need now to address issues such as critical minerals, which it seemed a lot of China's investments were geared towards, supply chain management as well, essentially, and not just diplomacy. Could I bring Jay in please?

SHAMBAUGH: Sure. Yeah. So, I think. In my time at Treasury, I certainly spent more time on China than any other one country. And at one point someone told me, I had met my counterpart more than anyone else in the US government. It's something we took very seriously. The importance of talking and the importance of trying to not just, you're not just talking for talking sake, but you're talking to try to avoid things, spiraling. You're trying you're going to do things that neither you each don't like, but how do you work through those things? I do want to just agree with, as far as layout of the fundamental issue here and add not just the currency, but really the industrial policy and state directed economy, which is a really tricky thing in the world economy because if the state council says, we want these three industries, everybody rushes towards these three industries.

And if they're losing money, the provinces and states support them. And so, the rest of the world suddenly said my firms can't lose money for five years in a row, and they just get crushed. And so, I think you wind up with a real fundamental problem. And when China was 2% of the world economy like trying to grow in an export led way and having an economy that operated that way wasn't just that important when it is the largest manufacturing economy in the world and, a massive share of manufacturing almost as much as the next nine countries combined in, in order, right? Like just a huge share. The rest of the world, I think fundamentally has a challenge. And the World Trading Organization just wasn't set up in a way to handle this, I think realistically.

And when I see the conflict, tariffs are a blunt and not optimal instrument period. And like you sometimes may need to use them in targeted ways to try to get someone else to change behavior or to temporarily protect something. But it's not the ideal setup. I think the goal we had was in communication with China was to make clear, frankly, was, look, this isn't gonna end well. Like you, you do it. Like the world is not gonna do China Shock 2.0, we're, we've seen the movie before, we didn't like it, we're not gonna watch it again and spend a lot of time trying to talk to other countries, not just the G7, but many other countries who had the same interest in mind to say We need to cohesively put pressure on China to say you can't operate in this way. And in 2022 that was harder. By 2024, I swear at G7 meetings, if you took the talking points of the different finance ministers threw 'em in the air and recirculated. I couldn't have told you whose was whose. Like they were all singing the same hymn about, look, we gotta do something about this.

And I think the Chinese were starting to respond more and they were talking a lot more about the importance of consumption and all these things. And then January 2025 came and now you've got, whether it's Starmer or Carney or who or, like everyone's going to cut their own deals. It's you're back to a one-on-one world. You no longer have a cohesive, “Hey, this is a problem. How do we solve it?” kind of thing. It's everyone for themself. And I think that's unfortunate. And you also have, I don't think the US and China are trying to talk constructively. The administration just thought our market is so important. No one can live without us.

And that's true for many countries and for many countries. The reality is, if you can't change, if a country puts a tariff on you, that's you don't like it. But if you can't change their behavior, you don't do anything. The old story is just 'cause your trading partner has rocks in their harbor doesn't mean you put rocks in your harbor. If you think you can change the other country's behavior, then you might do it. The one country who thought they could change our behavior was China. And the administration's response was to say we'll make tariffs 150%. And China said, fine, do it. And this is the only place where I would say, I agree.

The counterbalance within the US is not as strong as it once was. But you know when Target and Walmart and firms like that show up at the White House and say, you, you can't do that. There won't be things on the shelf at Christmas time like then the administration had to blink. And I think that's not the way you want to deal with China. It's not the way you wanna deal with this problem. Talking and trying to work towards cohesive solutions and with allies works a lot better than trying to bully your way around the world.

JONES: Would you feel like all of that progress that was being made with China and the sense of the acceptance that it did need to be more consumption led? Do you think? That's just going to completely fall by the wayside or do you think...

SHAMBAUGH: ...within China?

JONES: Yeah.

SHAMBAUGH: I, I think within China there are both economists and policy makers who recognize that. Just by the simple math of the world, you can't be really large export led and grow faster than global demand, right? Like you can't have all three. You can do it if you're small and you can be export led and grow at the world rate of growth. You can't grow faster than the world. 'cause you just to become more and more of exports and it, the math doesn't work. Someone has to sell something back to you. So, there are people in China, I think, who very much recognize that.

I think when the whole world was cohesively trying to push China in that direction, what you're basically doing is strengthening the hand domestically of the people who are trying to push in that direction when instead you have a both fractured world and hostile us who is acting in a more ex, ex extraordinary way. You go back to the hardliners who say no, this is just all we do, whatever we want, what we think is best for us, and the world be damned, their hand gets strengthened. So, I think it, it's not that the ideas are forgotten, and I'm certain that consumption needs to be at leading part of the economy, will continue to show up in every December work report and all that kind of thing. But it just won't have the same force internally, I think.

JONES: That's a really interesting point about those internal dynamics. We mentioned it a little bit already, but I just want to go back to this issue about the kind of creation of a not a creation, but the sense in which there has been a disaffected class that's accompanied globalization as sent. We got another question ahead of the event from Spencer Rhodes, an attorney who asks, could the issues raised by the book be best understood as a process of elite capture? I don’t know who would like to take that first?

PRASAD: One of the. . .Market-oriented liberal democracy seemed to be the lodestar, for economies. And in the 1990s it looked like that model had one that every country would come around to that form of economic, political, social, and legal organization. But unfortunately, it turned out that had a lot of intrinsic fragilities in many of the forces that I talk about in the book. Technology, globalization, and so on. Basically, brought many of those forces to the fore. The element of capture of the democratic process, I think is a really important one. And again, hardly the first to point this out, but in tandem with these globalization and how there is a feedback loop between these forces infecting domestic politics and how that then affects geopolitics and then it turns into a very negative loop that I think is something that we really need to keep in mind right now.

Economics, domestic politics and geopolitics move along parallel tracks, and of course, they intersect with each other very often, but I think there are a point right now where they've become so intertwined that it's very difficult to pull them apart. And unfortunately, this intertwining has come with this element of them bringing out the worst in each other. So, if we were to think about solutions I think that is really where we need to start. So, the answer to the question is. In a way, yes. And it gives us a way to think about the solutions. Because ultimately if we want to fix things, one of the things we are going to have to fix, and this is going to be the answer and the cheerful version of the book, is institutions, we need to have institutions such as a system of checks and balances, the rule of law, and a very mighty institution of free and fearless press.

And in addition, you need, institutions like an independent central bank and so on, because those are very important, not only in undergirding faith in the democratic process, but also in terms of, allowing for corrective mechanisms to play out. And the nice thing about democracies typically is that when governments make mistakes, there is a self-correction. Now, this is the US of course. So, we are very special. So rather than just self-correcting, we lurch from one extreme to the other, but that lurching is enabled by the corrective mechanisms.

And what I worry about a great deal is that we are seeing those corrective mechanisms, including the democratic process, including the freedom of the press, the freedom of institutions like the Central Bank, really fraying before our eyes. So, if you need to look for a solution, that is really where we need to start.

SHAMBAUGH: I would say not everything that happened in like an increasing world of globalization was due to elite capture. I think you could say in some cases there were elite blind spots not recognizing what was going to happen or thinking there would be secondary policies put in place and then those secondary policies didn't get done. And so, I wouldn't say certainly all of it, I would say going forward, I continue to worry that, the kind of liberal, not in the political sense, but in the kind of classical liberal market democracy structure the. The view that you need a, that includes regulation, right? That includes antitrust, that includes progressive taxation, that provides some sort of baseline safety net, things like that.

I think as we've seen greater concentration of both wealth and power economically, I think you do, I at least do worry. And I think the book talks a lot about those forces pushing in that direction, that can, that, democracies are fragile and that you may lose some of that. The institutions as far as talking about can get frayed and can get weakened. And so, I do worry that is a force that can continue to happen. I wouldn't say everything that's happened was due to that. 'cause in some sense, I think a lot of what was happening was also technological change, which was not, it's not just trade agreements. It's, and for that matter it's it wasn't the China entering the WTO necessarily that did it. It was China choosing itself to open up that did it. So, it's, I think the. Market forces and the economy did things. There was an inadequate response to shield people. What worries me is both the false populism that has engendered on the one hand and concentration of wealth and power on the other that those market forces have generated could lead to an even more problematic situation there.

JONES: I think a leap blind spots is a nice way to put it. Certainly, I feel among a lot of people it's say, you mentioned the media, the financial times, we were caught by surprise, by Brexit. 'cause to a to a lot of people's worldview, it just didn't make any sense. Yeah I think, one of the conclusions that was drawn that was to get out and talk to people more. But do any of you think there's, instead of the false populism, what are the real solutions to really dealing with the disenfranchisement that a lot of people are feeling?

AYRES: I think everybody's looking for answers to that. I don't think there's a clear answer right now. I think a lot of organizations and parties are asking themselves that same question. How do we make sure that we devise international policies that will also benefit our country and our domestic economies?

JONES: One of the, the areas that we've discussed about a little bit is technological change. And I think that goes along with disenfranchisement and fears of displacement as well. The book talks a lot about digital currencies, whether that be private sector led solutions like dollar denominated, stable coins, or the EU searching for its own alternative in the form of a digital euro. And then I think AI is causing a, quite an interesting split among the administration, if you like, in the sense that a lot of the traditional Trump base might and beyond that feel quite fearful about the impact of the technology on their jobs. While there's also a relationship between people within the administration and the senior figures in the tech community as well. So how does, I think we've, the panel seems to think, we shouldn't throw out the baby with the bath water. We should still create a role for institutions like the G7, like the WTO, how in this vastly changing world due to technological shifts, do these bodies best serve the public? Maybe if we start with Eswar and then go along.

PRASAD: So, I can't get the multifunction remote in my house to work, but I'm still a technology optimist. I think this is really a crucial part of the solution. Technology does expand resources and, the lack of resources is usually a very important source of conflict. All, although in some cases it's relative resources that matter. And in the book I talk about AI, digital currency, social media, all of which, can bring us together, can accomplish great things. If you think about digital currencies, even basic digital payments in many low-income countries have been the pathway for, street vendors, low-income households to get access to banking services for managing, savings, credit risk.

This is life changing. Although these are not very technologically very sophisticated issues. AI has tremendous potential and I'm sure we are seeing it in all of our lives. As with globalization, as with other elements of technology, the fear that started pervading my thinking as I went through the process of writing this book is that they may end up, and we are seeing this play out in real time with much greater concentration of economic and financial power within countries and also between countries. So, take digital currencies. You alluded to dollar back, stablecoins cleared. You could see those wiping out. The currencies of some countries that are very small that don't have credible central banks, and even the euro is fearful. The eurozone is fearful of being overrun by dollar backed stable coins.

So, the sense that the benefits of these technological changes or technological revolutions might again go to a select few and leave a much more disaffected class, I think is really quite concerning. So, this doesn't mean that we regulate technology out of existence or stifle innovation, but I think we need to think very hard about the second order effects. And ultimately, if you think about the forces Jay pointed out, there is a lot going on. It's not just globalization, but I think it's the feeling of fairness that is really important. When people in a country feel that others in their country or other countries, are not playing by the same set of rules, then I think it creates a very fertile environment to play to this politics of resentment.

And the same holds true for AI. I was at Davos recently and had some meetings with African entrepreneurs and they were hugely excited about how AI might actually help them compete on a world stage once the topic turned to employment. However, and this goes to your earlier point, Alyssa, things were very different. So, I worry a great deal that the marginalized in wealthy countries like the US and marginalized countries could get left out of all of the benefits, and that essentially creates more strife and potentially intensifies the doom loop.

AYRES: No, absolutely. I just wanna echo, there's a very nice discussion in the book about the benefits of digital payment systems. And this really has been a great success story of the last 10, 12 years in India and Kenya. Financial inclusion hugely important in giving people access to a financial system that works for them, so they don't have to go to money lenders on the street or have, huge interest to make a payment to buy milk or have a cow. So, it's a very exciting and wonderful outcome. I think the bigger questions that we do not know the answers to and you refer to this, and maybe that's your next book on the horizon, I don't know.

We'll be really how do we think about what other kinds of changes, new forms of technology will bring and how do we regulate them? I think we are likely to see, as we've seen already with different social media platforms and other forms of digital commercial exchange, that there will be groups of regulation that perceive the role of the government and the private sector actors in very different ways.

And by that I mean you have certain kinds, the EU has an understanding of privacy that is different than the sense of privacy in the United States. India has become a major regulator in the internet digital space. In part because the view there is that it is the world's largest open internet digital economy because China's is closed not taking advantage or really working with global platforms in the same way. And these are different regulatory architectures. So that again, creates kinds of challenges. If you're the company or the platform, you've just gotta figure out how you deliver what is legally required in different regions and in different ways. And that extends everything from forms of exchange to speech, what's allowed what's controversial speech, what is permissible, what is illegal in different locations. And that's very hard to manage. And I think we'll probably see some version of this with newer technologies like ai. That would be my guess.

JONES: Yeah, I think that's a really, it's really interesting that you touch on the topic of these digital payment platforms in India, which have, as you say they've been remarkable in offering excellent access to financial services that people were just getting before, but. There, there's often these debates in Yeah, certainly in the UK and in Europe too when there's talk of getting rid of cash or there's one in the UK of getting rid of checks, which hardly anyone uses, but people really dislike that idea. So, I think it's perhaps worth looking at as well, not just how we deal with the new technologies, but these technologies, which may seem redundant to us, too, to a lot of people, they can seem quite precious too.

SHAMBAUGH: I would, I just want to pick up where Alyssa was on the importance of regulation and how regulations are gonna work across borders, especially in a more kind of fractured global order. I think the international payments one is a really crucial one because there are rules around know your customer around trying to make sure payments are not being done for crime or for terrorism and things like this. And. Yeah, new technologies can break through those regulations, and you need to work, be able to work cohesively with other countries to say, okay, this is the new blueprint, this is how we'll go forward. And that could be on digital payments issues, it can be on AI safety issues, and it could be on social media safety.

So, there are a whole bunch of things where these new technologies almost cry out for countries to be able to work together in a cohesive way to try to deal with what these, the problems, these new technologies provide. And I do think that is the scarier thing about a kind of devolved multilateral order where you, where rogue actors and rogue could just be, I have a different view, right? And I'm gonna say I don't actually care if anyone knows the customer. You can set up your stable coin in my country and as, as far said but that maybe that's stable coin basically displaces a currency somewhere else because other people start using it. I think that's a challenge. The only other thing I would say that I do think is, will be a, a challenging and interesting thing about AI is the book in one of the few times thus far allows himself to use jargon that economists use a lot.

You, you referenced skills, bias, tech, technological change. I think once and it, and this is this idea that for a long time we've been having technological change that benefits people who are high education and high skill that has been augmenting and I think in many cases, more important even than some of the forces are globalization in terms of what it's been doing to lower income, lower education households. The interesting thing about AI is it's gonna put pressure on a different group of people. The first, the most exposed people to AI are typically people who have more education and are doing things that AI can figure out how to do. It's not people who use their hands and who work physically, right?

It's the first line is people who are in the United States, like unemployment rates for young people with software degrees are higher than they've ever been, things like that. And I think the challenge is you're gonna have a whole different set of people who are upset, who haven't previously been upset, who've been benefiting from what's been happening in the global economy. On the other hand, you will have a little bit of rebalancing of some of the people who. Might have seen themselves as getting harmed before where they're not the ones getting harmed. Now the key question will be how will the benefits be dis distributed? And if it is just a small number of companies owned by a small group of people who extract a large share of profits from it, then everybody's gonna be mad. If, on the other hand, you can tilt things in a way that you know, lower cost or raise quality of experience for people then it might not have the same type of impact as some of the other technological changes we've seen.

JONES: Very good. I'd now like to turn to the q and a portion of the conversation. Can I see a show of hands? Please don't be shy. So, we've got two in the front and then one in the back. I'm gonna take them in three at a time. So, if you wouldn't mind just introducing yourself and I've been told to make sure that your remark has a question mark at the end of it.

AUDIENCE MEMBER: A Brookings trustee as what this sounds like a fabulous book. And I think Mark Carney made your case for an international forum on this. So, if we start with the idea that, as you say, the old system is broken and as you said that basically Americans don't believe that the system benefited them. I have a question. Somehow we, in the think tanks, were not able to convince people as we should have that the system actually did benefit them. And so, what responsibility do we have in think tanks in the academic community? That's my question, to not have the future defined by people like Steven Miller, but define the future, create a framework that is necessary. Is that going to be your next book?

JONES: Thank you.

AUDIENCE MEMBER: Thank you Gerald Chandler. I missed the definition of the doom loop. What is going to happen when we reach doom? And in particular, are we going to have world war where we have nuclear bombs going everywhere? Are we going to have the GDP per capita go down to 50% or what is going to happen?

JONES: And I think there was one at the back. Two. Oh, I keep, thank you. Thank you.

AUDIENCE MEMBER: Yeah. Brendan Horton I spent my whole career and the last 10 years writing a book on persuading countries in Africa and North Africa to join the system. So, I have two questions for you. Was I, and what should they do now? Because that's an extremely important practical question to which we have to provide an answer.

JONES: Okay. Thank you very much. Intellectual world's responsibility. How does the doom loop play out and what advice would you give to, was it North Africa? You mentioned North Africa. Thank you. So, what advice would you give to African countries? We, maybe we begin with Eswar then Alyssa and then Jay. Thank you.

PRASAD: So, at one of the forums where I talked about the book, somebody on the panel said that maybe the next book should be the boom loop, but I don't think my, I have to get my wife's permission first because writing a book basically means you detach selves from family for an extended period. So not sure that's quite on. I'm surprised, sir, that you don't think we are in a doom loop already. It sounds seems like everything is falling apart. So, I don't think we are really necessarily going to get to a global war of any sort. And there are a couple of things to mention here.

One is that I also get asked sometimes, things look great in the economy, yes job growth is not great, but not too bad. Financial markets are doing well. Where is the doom loop? And the answer is sometimes when things look very calm on the surface. And tensions are building up underneath, that's when things can become much more explosive, both within societies, but also between societies. I don't think geopolitical strife between these two powers is really the end game here. China does want a little more territory. The US maybe it wants Greenland, maybe it wants Iceland. Who knows? But the reality is that it's about a much more fundamental battle right now about the vision of the world.

A chapter in the book, of course, about how you organize an economic, political, legal social system. The way these two superpowers see things is completely different. And I think that's the battle that is really going on right now. Whose vision of the world dominates. And Antoine you've done some deep thinking on these issues yourself. And in fact, I should point out as a bit of marketing for some work that Coul has initiated in our program, global economy. Here it is to think about this as an opportunity. I spoke about the importance of institutions both domestic and international. We've talked about fixing them at the edges.

Now they're being blown up before our eyes. Maybe we should think about what the first best might be. What is the best structure of institutions where you could maintain legitimacy from different groups of countries, but also keep them efficient analytically? That's not completely obvious. What is the right voting structure? What is the right way you maintain legitimacy? Bring in members, throughout members and so on. But I think that's where some intellectual effort could help. And certainly, we think tankers have a very important role in safeguarding the domestic institutions because I don't think, we should be out there, trying to convince people that they're better off than they may feel.

But I think what we need to ensure is that the corrective mechanisms. Are not damaged any further. For the poorer countries, especially low-income countries in Africa, I worry a great deal. These are the countries that are the most vulnerable as Alisa already pointed out, the path to manufacturing led export led growth is being shut off to them just as they're beginning to rise up into the world economy. The lack of cooperation on tackling climate change hurts those economies the most because they're still, many of them agrarian dependent. The best that small countries or even large countries can do is to get their own houses in order. It's not going to protect them from the forces buffeting them, but at least if you have a little more resilience in terms of domestic policies, if you have better institutions that can help you weather the storm a little better, but it is going to be a storm.

AYRES: Just on that specific point reflecting on the fact that a AGOA has just expired. We used to have an important, and I thought very helpful orientation of allowing preferential access to the US market as a way to help lower income countries a achieve growth and try to get to that pathway of greater prosperity. And I think that's a powerful tool that we do have in this country, and I would hope that we could get back to that. 'cause I do think it's been helpful.

SHAMBAUGH: I would just say on that, on the last one I very much agree with that view. But also think, I would just say as far first of all, as far as like the first thing you can do is just make your own policy sensible. Don't let yourself get as exposed. It does the. I would be more worried about being in excessive debt now than I was even five years ago. I would trust less the world's capacity to deal with things like that. So, getting your own house in order, trying to be less exposed to shocks because you are less convinced in a global safety net, things like that. But also, the whole world hasn't devolved, right? Like the US has completely abandoned a multilateral trading order, not everybody has, right?

And so, it just speaks to, and in fact, I think you're seeing this other countries around the world trying to form partnerships, right? And so, I think it does mean, especially what does it mean to meet in North Africa, Sub-Saharan Africa, partnering more strongly with Europe or looking into Mercer across, like you're, I think it says, try to find the parts of, it was Mr. Rogers try to find the helpers in the room, right? It's, I try to find the other countries that are still being constructive, but. Crucially, don't let yourself get as exposed as you might have thought you could in the past. And that requires having your own house in order. And the only thing I would say on what did the think tanks and the others do?

The only thing I would say is I like that far expression of the US lurching back and forth. And it's not just the US though, right? It's, I think it's something democracies do. And I think you could see Brexit as a lurch at one point, right? But the only thing I would say is country. The reason you lurch back and forth is often the voters regret the lurch, right? Like most voters in Britain now in polls say Brexit was a huge mistake. Most voters in the United States hate Donald Trump's trade policies, right? I think it's not that they've all decided that all the things we've been talking about are wrong, and that, the doom loop is good or anything like that. They were frustrated. They made a choice. The question is how can you lead them back to a better choice that is better for them? And how can you make sure the system is better for them?

JONES: Do we have any more questions? So, we've got one in the front here and then two, two close to the back. Can, we'll take four actually, if that's okay. We've got a bit of time left so two in the front and then closer back.

AUDIENCE MEMBER: Thank you. My name is Chris Clay, and I know you all mentioned fairness a few times in different contexts. Putting aside how we define fairness, because that's probably more philosophical, bigger question, do you have any practical ideas of how that could work out? Whether it's UBI, universal basic income, but yeah, how that might work out in practice as AI takes over more and more industries and other of the dynamics that you guys discussed are spreading globally.

JONES: That's a really good point on UBI. And then just sit the woman behind please. Sorry, just one.

AUDIENCE MEMBER: Oh, sorry. Thank you so much. My name is Kayla Shater. I'm really happy to be here. I was curious about private public partnerships that are on the rise, specifically, like with the dismantling of US Aid. We're also seeing a lot of funding being shifted towards DFC and there's a fundamental power shift to the private sector and I was just curious like what role private sector actors playing in this student loop. And if you could just expand on that'd be great.

JONES: Thanks.

AUDIENCE MEMBER: Hello. Steve Cayman with the American Enterprise Institute. I was curious about what role international migration might have played both in the rise of fake populist movements and the sort of disenfranchise. Of many groups in advanced economies and why we've seen such a surge in this migration when in principle, developing economies should have been pursuing structural reforms, raising their growth, and reducing the need for such migration. Thank you.

JONES: Thank you. And then we'll just take one more, if that's okay. Just 'cause this'll be the final round. Thanks a lot.

AUDIENCE MEMBER: Thank you so much. My name is Gabriel McKern, graduate student at Georgetown. And my question is, how do you view the multilateral institutions like the World Bank and the IMF evolving through this transition? Do you see them as evolving with a doom loop to survive, or will they be replaced by essentially smaller regional bodies? Thank you.

JONES: Thank you. Thanks a lot for those great questions. We're gonna go the other way around this time. We're gonna go Jay, Alyssa, and then give the last word.

SHAMBAUGH: Okay. I'll try to be very quick. So on, on fairness. Honestly, it's probably the least interesting and least sexy answer from my perspective, which is there's just a lot of basics, right? Like you do the basic blocking and tackling of labor markets, like you strengthen unions, you make sure the NR NL, NLRB enforces labor rules. You raise the minimum wage, you do progressive taxation, you strengthen the safety net. If you re, if you fear things are going to move in a direction of more winner take all, you try to make sure you cushion that. I don't know if we're ready. I'm not ready to give up on employment as a key source of how people live yet, but you may get there eventually. In which case then I think you are moving in the, in A UBI direction.

The role, the private sector is absolutely crucial. And I think this was true prior to many of the concerns you might have of the last. Yeah, I think if you look at the scale of funding necessary to address climate change in a constructive way and energy transitions like that, money's not coming from taxpayers, right? But it doesn't necessarily have to, 'cause in many cases there's massive business opportunities there as well. And so, I think in many cases the question is how do you try, how do you set the rules in a way that convince the private sector that this is the place they should move and can make money moving in that direction on migration.

Yeah I agree, Steve. I think that this was a big part of it. I think the thing I would say is if you think where the migration has been coming from, it's from, I don't wanna go quite as far as saying failed states, but it's certainly from states that wound up with massive con conflict, right? It's not like all poor countries started sending tons of people out, right? Like in West 10, like it's Venezuela, right? And if you look what, where's, what's been going towards Europe, right? It's conflict states, lots of people. So, it in that sense, it's. Failures to have the multilateral order, maintain order generates migration flows that can be disruptive. And that's one of the things you might worry about is if we're doing less to maintain that order across countries, it's just gonna lead to more to demand on migration flows if there are more plate pockets of instability and states bordering on failed states.

And then lastly, on IMF World Bank, I, to me, interestingly, it's the place that they've almost managed to function more normally through the last year than anywhere, right? Honestly, if you read the Treasury Secretary speech from May on the IMF World Bank, like parts of it sounded not all that dissimilar to speeches I gave when I was in my job. And it's not all of it, but parts of it. And I think the notion. The IMF in the World Bank provides such obvious public goods that it, you would have to really have a twisted worldview not to see them as useful. And I think that has kept them operating in a functional way. They're gonna have to evolve, they're gonna have to change, they're gonna have to go through various iterations. But I'm, and I'm not saying you don't get other institutions around them or that they don't shift, but I think they've been the ones that, the two really, that have fallen back the least and are able to operate in a way to try to deal with everything that we're seeing.

AYRES: Maybe we don't have a lot of time, and I know people wanna hear from our author. But I'd really like to answer the question focused on the private sector and international development. I know for so many younger people, there's a lot of anxiety younger people who might have dreamed of a career pathway through USAID. And where do you go now that its future is quite different than it would've been three years ago, let's say.

And I think it's actually really important to acknowledge that the private sector, as Jay said, has long played a huge and important role in economic development around the world. And so there are a lot of opportunities there. Power development thinking about. The way banks can play important roles, financing transactions, public-private partnerships in bonds, social impact bonds where you can be at the heart of something, but from the private sector end, which is a different way of thinking about an international development career or what that universe looks like. But I do think there are a lot of opportunities there.

I'd also add that the first Trump administration on the infrastructure front developed something called the blue. Network, the idea of which was to help crowd in more private sector investment in infrastructure development across Asia, as partly a response to the rise of the Belt and road. So there really are companies out there that are doing things that by any measure would be international development activities. And so, I think that's a place that I certainly would urge the next rising generation to look to. While we're still under. Under review in the United States about what our role is in international development.

PRASAD: So those are great answers but let me just leave you with thoughts about how we might get out of the doom loop. And you may not like the answer because it is at one level, simplistic, at one level, very complex. It's going to take much more engagement from us as citizens. Not just seeing ourselves as citizens of our countries, but of our communities and of the world at large. Recognizing that we really need shared prosperity to move forward. It's going to take community, business, national leaders who can help us see beyond our short-term prejudices and, play to our hopes rather than to our fears. And it's going to take much better institutions at the domestic level and at the international level.

I spoke about the domestic ones, and we need a better international architecture because I think this element of fairness becomes really important as people, think about their economic futures and about future generations. All of this at some level seems straightforward, but at the moment we are stuck in this situation where those who need to rebuild the institutions are precisely the ones shredding them. So, it's going to take really enormous levels of engagement by each one of us in order to reverse the doom loop. And I think this Herculean effort is essential because if not, we will end up letting the doom lobe become our destiny. And that cannot be. Thank you.

JONES: Thank you very much. And there's some copies of the book for those who haven't got yours already outside, Eswar has very kindly agreed to stick around to, to sign them. I'd like to bring the discussion now to a close and say thank you to the Brookings Institution for hosting this wonderful event. Thank you to you, the audience for coming along in great numbers, both in the room and online and asking some fantastic questions. And then to our panelists who think have done a really wonderful job of tackling some very thorny complex issues in a way that's been very clear and very compelling, so thanks again.