

The Making of Our Global Age

FORCES, INTERACTIONS, AND TENSIONS SINCE 1800

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SAMUEL KUBANI/AFP/Getty Images

Steve Huffman, Reddit's CEO and co-founder, underwent laser eye surgery in 2015. But he did not do it because he disliked the look of glasses or the feel of contact lenses. He did it to improve his chances of surviving a massive disaster. As he told *The New Yorker*, "If the world ends—and not even if the world ends, but if we have trouble—getting contacts or glasses is going to be a huge pain in the ass."¹ Huffman is part of a broad community who prepare themselves for withstanding global chaos. They are known as survivalists or doomsday preppers. National Geographic Channel's "Doomsday Preppers" was a reality TV show centered on this community, and it became the most popular show in the channel's history. The show may have entertained some, but it seemed to speak to many: In one survey, 40% of

LEARNING OBJECTIVES

After finishing this chapter, you should be able to:

- Articulate the main features of the first and second global ages.
- Describe events leading to the decline of the first global age.
- Contrast major actors in the first and second global ages.
- Identify the historical roots of today's global challenges.

Americans said stocking supplies or building a bomb shelter was a wiser investment than a retirement savings account.

Exactly what is being prepared for varies widely, from economic collapse in the United States to a global power grab by a “One World Order.” Companies such as Survivalist101.com describe one “doomsday scenario that could wipe out our way of life and set our civilization back a couple of centuries. The world is edging closer to a time when rogue nations will have the capability of detonating a nuclear bomb over Washington, DC. All they need is a barge anchored 100 miles off the coast, a missile launcher and a nuclear tipped missile.”² While some preppers fear war, others fear chaos brought on by economic crisis. As Robert Richardson of *Off Grid Survival* warned: “Economies around the world are crashing, countries are drowning in record amounts of debt, and governments continue to pile on new debt like there’s no tomorrow. At some point this debt train is going to come to a screeching halt; when that happens we are going to see panic and chaos like nothing we’ve ever seen before.”³ Prepper companies sell peace of mind for a fee, and their market is experiencing rapid growth.⁴ Even household names such as Costco have joined the market, selling a product with 36,000 servings of food for \$6,000.

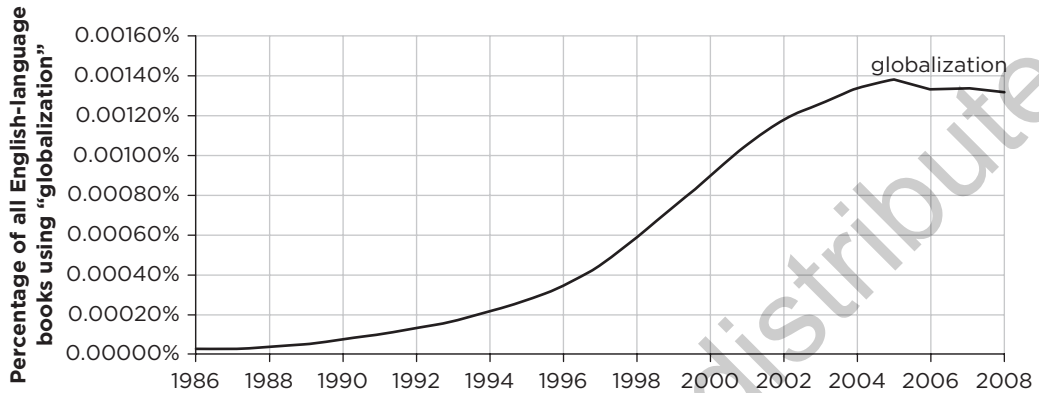
These businesses are not just engaged in simple fear mongering. They are tapping into a more general anxiety with the tensions that came with global interactions and the speed of global change in the 21st century: in the global economy, communications technologies, the environment, and cultural influences. The complex interactions that characterize the world today, and the tensions that result from them, are driven by some of the major global forces discussed in our Introduction. At the turn of the 21st century, multinational corporations (MNCs) like Alcoa, Wal-Mart, and JP Morgan had vastly greater clout compared with many smaller states. These MNCs, in turn, struggled against other international actors, such as global civil society groups like Amnesty International or Save the Children, that monitored the behavior of MNCs and used social media to influence the companies’ behavior.

In the 1990s, technological and economic changes seemed to outpace humanity’s ability to govern them. Genocides in Yugoslavia, Rwanda, and Sudan, and terrorist groups taking control of towns and cities in the Middle East added to a sense that a rapidly changing world was beyond anyone’s ability to manage. This gave rise to a flurry of popular books on globalization. Figure 2.1 shows the rapid increase in the 1990s in use of the word “globalization” as a percentage of all English-language books. But recent years have shown a different pattern, with observers now seeing threats to global integration lurking around every corner. With a U.S. president declaring a policy of “America First” and with the project to build a unified Europe appearing to fail, observers have started to talk about an end to globalization. The coronavirus has seemed to reveal the dangers of a world that is too interconnected. It could be another nail in the coffin for advocates of greater international integration.

Our current era of globalization is not new, however. A century ago, societies were also undergoing changes that seemed stunning at the time. The global forces driving intensified interaction included scientific advances such as the manufacture of steel in the late Industrial Revolution, which made it possible to build enormous buildings, reliable railways, and larger ships. Politically, Europe had experienced the growth of nation-states and the decline of monarchies, whereas the spread of colonial rule brought

FIGURE 2.1

Growing Use of “Globalization” in English-Language Books



Source: Google Books Ngram Viewer. https://books.google.com/ngrams/graph?content=globalization&year_start=1986&year_end=2008&corpus=15&smoothing=2&share=&direct_url=t1%3B%2Cglobalization%3B%2C

many societies into production for global markets and into political organizations called “states,” some for the first time. A woman born in Lagos in 1830 would by 1901 find herself in a newly invented state called “Nigeria” and a legal subject of the British Empire. A woman born into slavery in Louisiana in 1830 would by 1901 find herself legally free. Ships could travel further than humans had ever imagined, and two people could exchange messages over distances more immense than their ancestors could have ever conceived. More and more men—and, soon, women—could vote irrespective of their property or education.

So, our present global age—this remarkably integrated world—is not new. Ours is not the first period in which humans have had a truly global economy. Such a thing existed more than a century ago. This first age of globalization spanned the mid-1800s to the early 1900s. The second age of globalization took off in the 1990s, and we are still experiencing it. But what happened in between? Why did the first global age end? And are we witnessing the end of our second global age?

This chapter provides a broad overview of major global events spanning recent centuries, with an emphasis on recent decades. Understanding this basic history is foundational for the remainder of this textbook. The chapter goes in chronological order, introducing major events that will help contextualize the international news you read today, tying them to our major global forces (like shifting world power and related changes in global governance, transformations in the global economy, and the rise of new technologies). We start in the early 1800s, but not because it marked the start of global history. Rather, it marked the first time people started to perceive the world as truly globally connected (Figure 2.2).

FIGURE 2.2

Making of the Modern World: Timeline of Global Forces and Interactions

Major political events	Period to 1918	Major economic events
Era of empires	1500–1750	Mercantilism
Napoleonic Wars	1803–1815	
Pax Britannica	1815–1914	
Unipolar system	1815–1900	
	1690 (Locke), 1776 (Smith), Ricardo (1817), “still relatively new by” 1900	Liberalism/Free Trade
	1800s	Continuation of protectionist economic policies
	1800s to early 1900s	Colonies forced to export raw materials
	1870–1914	Gold Standard
Rise of strong industrial state powers	1900	
Multipolar system	early 1900s	
Universal suffrage	1900–1930	
	1914	Collapse of the Gold Standard
World War I	1914–1918	
League of Nations	1920–1945	
	1929	Great Depression
	1930s	Latin American countries shift toward industrialization
	1930s	Rise of protectionism
Rise of fascism and communism	1930s	
World War II	1939–1945	
United Nations	1945–today	
United States and the Soviet Union emerge as superpowers	1945	
Bipolar system	1945–1991	

Major political events	Period to 1918	Major economic events
Cold War	Late 1940s–1991	
	1944–1973	Bretton Woods System
North Atlantic Treaty Organization	1949	
Warsaw Pact	1955–1991	
	1958–1961	China’s Great Leap Forward
Decolonization and independence movements gain traction	1945–today	
	1960	Organization of Oil Exporting States (OPEC)
Rise of the Non-Aligned Movement	1961	
	1970s	New International Economic Order
	1970s	Price of oil spikes
	1973	U.S. leaves Bretton Woods Monetary System
	1980s	Capital controls lifted
Number of dictatorships worldwide declines	1980s–1990s	
	1982	Recession in U.S., end of petrodollar cycle
Berlin Wall dismantled	1989	
Soviet Union dissolved	1991	
Unipolar system	1990s	
Asian Financial Crisis	1997	
	2000	Dot Com bubble burst
9/11 terror attacks	2001	
War on Terror	2001–today	
	2007	Global Financial Crisis
Multipolar or nonpolar system	2000s–today	
Arab Spring	2010	

THE FIRST GLOBAL AGE: INCREASING GLOBAL INTERACTIONS

The first global age can be loosely located in the early 1800s. A world emerged with more global interactions than ever before. Some of these interactions were voluntary, such as economic agreements and international scholarly travel. But some were anything but voluntary, such as slavery and colonialism. The effect was to bring people together in ways that shape our present. This section describes this first global age. (Figure 2.3 puts the First Global Age in our international studies framework.)

Global Stability Under Pax Britannica: 1815-1914

The year 1900 seemed to be one of dizzying change because western Europe and North America had experienced the fastest economic growth in history. Their economies had grown about eightfold in size in recent decades. The growth achieved in the previous 1,000 years had taken 100 years.⁵ Yet, the 1800s were not without conflict. A civil war had ravaged the United States; elsewhere, indigenous people faced massive suppression as they attempted to resist colonial domination. Nevertheless, the period was notable for the absence of large-scale war involving major powers. The period is referred to as the **Pax Britannica** (“British Peace”) because Great Britain was the undisputed globally dominant force. In the 99 years between Napoleon’s defeat at Waterloo in 1815 to the start of World War I (WWI) in 1914, Britain’s self-interest in economic integration across its colonies and with other trading partners provided the military and diplomatic support for a gradual increase in cross-border trade.

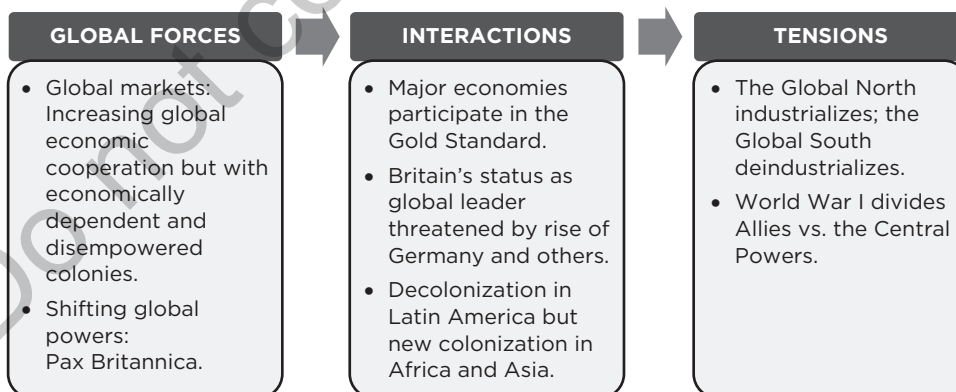
The idea of free trade was still new by 1900. The previous 300 to 400 years was a time of mercantilism rather than of liberalism and free trade. During the earlier mercantilist period, countries like France and Britain had not believed they could benefit by trading with one another. But this was precisely the idea of comparative advantage that is at the

Pax Britannica:

meaning “British Peace,” the period of Britain’s global dominance from 1815 to 1914, during which Britain’s interest in increasing international trade allowed for economic cooperation between major countries.

FIGURE 2.3

Global Forces, Interactions, and Tensions in the First Global Age: A Synopsis



heart of the theory of free trade: If you and your trading partner both trade what you each produce most efficiently, you both gain from trade. See Chapter 6 for more on these economic concepts.

By the mid-1800s, Britain had started to reduce some of the tariffs that it had once used to protect industries from foreign imports. In the second half of the 1800s, other major economies followed suit. They began to import what they produced less efficiently. The mercantilist idea that trade was zero-sum—that I will be worse off if I sell my rival something they need—was losing favor.

But the rise of Britain as a superpower (see definition provided later in the chapter), and the emergence of several other countries as industrialized nation-states, was not a simple matter of them embracing free trade. First, major powers like Britain, Germany, Japan, and the United States all used protectionist policies for many decades while they were industrializing. This means they made it hard for foreign competition to enter their markets.⁶ While they liberalized some industries, they protected others. Second, for the great swathe of humanity that lived as colonial subjects, global markets were not experienced as a liberating thing. Colonies were forced to sell their raw materials like timber or palm oil directly to their colonial master for less than they could get if the global economy were truly free. In addition, colonialism often forced people pay taxes in cash, which meant leaving their small farms where they engaged in subsistence agriculture to enter waged labor in cities, forests, and mines. Subsistence agriculture gave families some stability and control in managing their own economic fortunes. In wage labor, however, colonial subjects lost power over their own production.

Around the beginning of the Industrial Revolution in the mid-1700s, industrial activity in Asia and Latin America was similar to that in Europe. In previous centuries, the center of the world economy was not Europe or North America but China and India. By 1900, however, Europe had experienced a six-fold increase in industrial activity while Asia and Latin America had declined to one third of their initial level.⁷ Because they were not allowed to protect their infant industries, as Europe and the United States had done, all they could offer to the world was their raw commodities, meaning either their natural resources, like gold, or their agricultural products, like cocoa.

An international division of labor thus began to emerge: Industrializing countries in Europe and North America continued to industrialize, and wealth turned into a virtuous circle of even greater human capital; stronger militaries, stronger states, and better universities; and thus more wealth. Conversely, in Asia, Latin America, and much of Africa, the colonized were *de*industrialized, and they became reliant on exporting raw commodities to the wealthy world, earning little of the profit that occurred at the manufacturing stage, and suffering the whims of global fluctuations in prices for their goods.

Global Cooperation and the Gold Standard

One reason for economic growth was the political cooperation on economic issues. The world's major economies participated in the **Gold Standard**, which was an agreement between states lasting from about 1870 to 1914 in which participants agreed to fix the value of their currencies to a specific amount of gold. (Today, the exchange rates of the world's currencies generally float freely, meaning the value of currencies goes up and down according to world demand for that currency.) Under the Gold Standard, major economies agreed that if you had X amount of their currency, you could walk into a bank and

Gold Standard: agreement between countries from 1870 to 1914 that each member's currency could be exchanged for a specified amount of gold. It lasted until the early to mid-1930s, but its heyday was 1870-1914 because it was associated with significant international trade.



iStock/LeeYiuTung

exchange that for a set amount of gold. This provided tremendous stability to international prices, which was good for long-term and long-distance trade.

World War I (1914–1918)

By 1900, rapid economic growth led to shifting power among major European states. Three empires—Russia, Ottoman, and Austria-Hungary—were declining economically and experiencing political dissent within their borders. On the rise were Germany, Japan, and the United States. Britain was being outpaced by German industrial innovation. States and

societies in sub-Saharan Africa were victims of these tensions.⁸ At the Berlin Conference of 1884, major European powers agreed on the principles governing their division of African territories, transforming Africans into colonial subjects. Germany also sought to bring Europe's other German-speaking populations into its newly formed borders. Under Pax Britannica, there would have been less fear of this occurring, but without a globally dominant state to impose its will, Europeans grew concerned in the early 1900s that Germany desired more European land and that Britain might not be able to stop them.

This competition between European powers, together with enormous military buildups, was the backdrop for a series of small events that led to war in 1914. On one side were the Central Powers: Germany, Austria-Hungary, and the Ottomans.⁹ On the other were the Allies: Britain, France, and Russia. The war birthed trench warfare, in which both sides dug long, deep trenches and became stuck in a bloody stalemate. In just five months of the Battle of the Somme in 1916, more than one million British, French, and German men died. Many of these were in fact non-European colonial subjects from places like Canada and Australia.

The devastation ended when the United States entered the war, tipping the balance in favor of the Allies. The war had been far costlier, and lasted far longer, than any could have imagined. Major European wars of the past had not featured tanks, airplanes, trenches, and chemical weapons. In all, about 15 million people died, half of them civilians.

BETWEEN THE FIRST AND SECOND GLOBAL AGES: WARS, HOT AND COLD, AND NEW INTERACTIONS

Pax Britannica and the first period of globalization ended in 1914 as the world entered 30 years of war and financial collapse. World War I was the largest and most devastating conflict in world history. After it came the Great Depression of the 1930s, the rise of fascism in Germany, the rise of communism in the Soviet Union, and a second World War (WWII). Two major global forces that drove interactions a few decades earlier were absent at this time: Major powers became less interested in free trade and became more protectionist, and global cooperation on things like exchange rates failed. In the colonized

world, independence movements were growing in popularity just as the popularity of colonialism itself was declining within the colonial powers.

The Aftermath of War

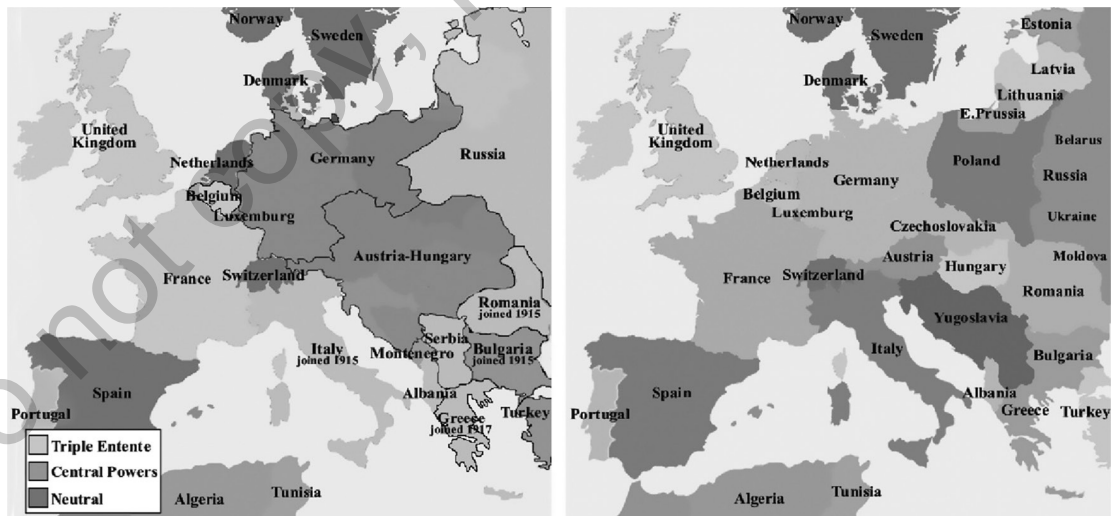
World War I had been devastating for all, and especially for those on the losing side. The Russian and Austria-Hungarian empires broke apart. The Ottoman Empire lost much of the Arab Middle East and became the state of Turkey. Germany lost its non-European colonies, as well as many German-speaking populations in Europe (Figure 2.4) Germany then suffered further under the Treaty of Versailles, in which the Allied powers laid out the terms of German surrender. The outcome was enormous debts that Germany was to pay to the war's victors. France needed Germany to repay because France had borrowed heavily during the war from the United States, which was unwilling to forgive loans. Germany's war-torn economy was hobbled further when it experienced hyperinflation. This meant one German mark might buy a loaf of bread one day, but the bread might cost 10 marks the next day, and 10,000 marks a year later. People with marks in the bank saw their savings turn to dust as marks became worthless.

Universal Suffrage for Europe and North America

Universal suffrage was among the most significant social and political changes happening across Europe at this time. For most of the 1800s, the few places in Europe and North America that were democratic restricted the right to vote to educated men. But in the early 1900s, thanks in part to the organizing activities of labor unions and socialists,

FIGURE 2.4

Europe Before and After World War I



Source: National Archives. <http://www.nationalarchives.gov.uk/pathways/firstworldwar/maps/maps.htm>.

the working classes in most of the industrialized world were beginning to assert themselves politically. In the first three decades of the 20th century, universal suffrage, inclusive of all men and women, was won in Norway, Finland, Denmark, Germany, Sweden, Holland, Ireland, Britain, Canada, and (in law if not in practice) the United States. The effect of this electoral empowerment of entire populations cannot be overstated. To win power and stay in office, governments now had to be much more responsive on issues like worker safety and unemployment than ever before.

The Global Depression of 1929

The Global Depression that started in 1929 was longer, more widespread, and more destructive than any other economic crisis in living memory. Since the world had become increasingly interconnected and economically interdependent, few corners of the globe could escape the effects of major economies imploding. Colonial economies, which had been developed to export raw materials for industrial centers in the Global North, saw their export-driven economies collapse.¹⁰

The result in many Latin American countries was a turn away from the global economy. The idea that the global economy was something to be feared rather than embraced was a tremendously powerful notion that came to dominate much of the developing world. Many developing countries started to use the power of their own states to move away from a reliance on exporting raw materials, and toward industrializing themselves. Their models at the time were Germany and the Soviet Union, countries that had grown at then-unheard-of rates thanks to the government actively intervening in the economy to help it industrialize. This distrust of global markets and free trade, and embrace of a state that actively develops its own economy, would exert a powerful influence on the world in the decades that followed.¹¹

The Gold Standard had facilitated international trade for several decades, but it collapsed in the 1930s. For it to work, countries had to agree to keep their currencies set at a specific value, as well as agree to exchange each other's currencies for a set amount. But this prevented any single country from changing the value of its currency to make its exports more competitive. In other words, the system required states to *desire* cooperation. When economies struggled to get out of the depression, international agreements to honor fixed currencies became too much to bear.

The general decline in international cooperation was not just economic. An intergovernmental project was developed to make sure states cooperated and engaged with one another, but it did not last. U.S. president Woodrow Wilson had proposed the creation of the League of Nations, which would have looked a little like the United Nations (UN) today. The League of Nations was created after WWI, but it was Wilson himself who was unable to convince the Republican Party, which was not in favor of deepening U.S. engagement in foreign affairs, to join the organization. The League of Nations lived on, without much effect, until it was replaced by the UN in 1945. Rather than cooperate, major economies turned inward, away from free trade, toward protectionism.

World War II: The Rise of Extremism

At the same time, domestically, politicians were coming to power on the basis of provocative and divisive visions of the world. Germany's Fascists came to power arguing

that Germany's problem was that nonethnic Germans (non-Aryans) had grown too powerful within Germany and could not be trusted. Elsewhere, socialists came to power arguing that the problem was instead capitalists in the form of bosses and owners, and that public control of the economy would be better for workers than private control of things like power grids and factories. Political extremism grew in Europe in the 1930s, culminating in WWII and the efforts of world powers to stop Hitler's attempts to expand Germany's borders.

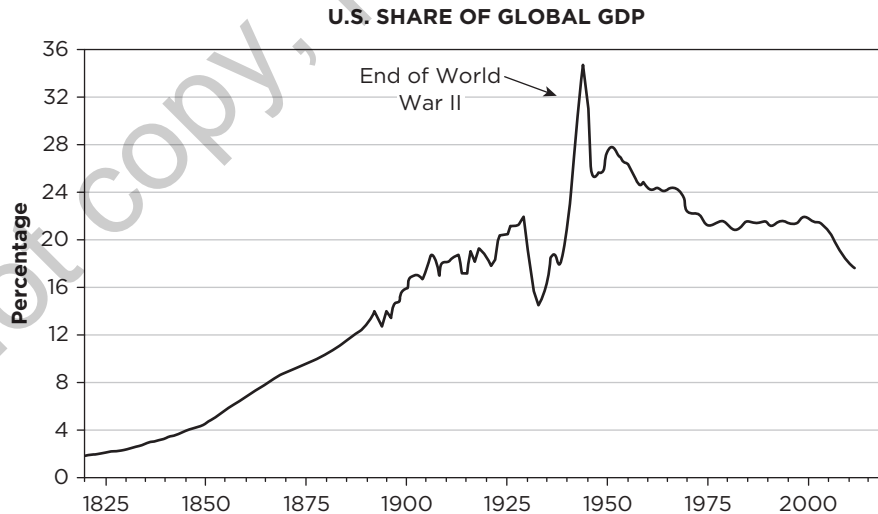
This time the two sides were the Axis (Germany, Italy, and Japan along with their colonies) against the Allies (United States, Britain, and the Soviet Union). The balance was tipped in favor of the Allies after a succession of victories. Russia turned Germany back from Stalingrad in 1943. British and American forces recaptured territory in North Africa, Italy, and France in 1943–1944. U.S. forces bombed Japan into surrender in 1945 with use of the world's first nuclear bombs, leaving more than 100,000 civilians dead. Perhaps the greatest toll was paid by Russians, between 15 and 20 million of whom died in WWII, but casualties were staggeringly high on all sides, and among soldiers and civilians. All told, about 60 million civilians and soldiers died, including some six million in the Holocaust. The physical infrastructure of Europe was destroyed for both the victorious and the defeated.

Although the United States also suffered enormous casualties, with approximately 400,000 killed, it emerged from the war as a **superpower**. At war's end, the United States alone accounted for an estimated one third of global gross domestic product (GDP; Figure 2.5). WWII had been a boom time for the United States as European states relied

superpower:
globally
dominant state.

FIGURE 2.5

The United States Emerged From World War II an Economic Powerhouse



Source: Data from Angus Maddison, IMF, CIM.

on U.S. weapons manufacturing, and the United States, in large part, avoided damage to its physical infrastructure, thanks to its oceans preventing land invasions. In the few years after the war, it would play an instrumental role in devising international institutions spanning issues of trade and security that are with us today.

The end of WWII also saw changes in the status of two superpowers: the decline of Britain and the rise of the Soviet Union. Even before the war, Britain had lost its economic and military supremacy. WWII seemed to confirm and hasten the decline. By the 1960s, British colonial occupation in Africa and the Middle East had ended, and it has never regained the global position it occupied in the 1800s. At the same time, the Bolsheviks who took over Russia in 1917 began a project of enormous state-driven transformation. Politically, the Soviet Union was formed in 1922 when Russia was combined with several neighboring territories, such as modern Georgia and Ukraine. What became of the Union of Soviet Socialist Republics (USSR, aka the “Soviet Union” or “Russia”) was transformed from a poor and rural place into an industrial and scientific leader.

The Cold War: A Bipolar World

Bipolarity—a system with two centers of power—reigned in the aftermath of World War II. Although the United States and the USSR were joined in their fight against Hitler, by the end of the 1940s, these two economic and military giants agreed on very little. The United States had a democratically elected government that presided over a market-based economy. The Soviet Union was a one-party state that directly controlled its economy. It was an interventionist state that built factories and heavy industry. All workers worked for the state, whether they were trash collectors or machinists. The Soviets had a centrally planned economy, in which the central government allocated resources like people, equipment, and materials to different sectors and different regions to meet growth targets.

Each superpower led alliances of like-minded states. Western states formed a military alliance, the North Atlantic Treaty Organization (NATO), in 1949. NATO still exists and in recent years has had operations in Afghanistan and Libya. The Soviet version was the Warsaw Pact, an alliance of Communist countries lasting from 1955 to 1991. Although the two superpowers never fought a major war—hence the name *Cold War*—their opposition to one another was felt across the world through proxy wars, support for dictators, and propagation of the nuclear arms race. Proxy wars, in which two states fight one another by backing opposing sides in someone else’s war, were often fought in the world’s poorest countries. In wars in Laos, Cambodia, Vietnam, and El Salvador, the United States supported the government while the Soviet Union funded and armed rebel groups. The opposite occurred in Afghanistan, Nicaragua, and Angola, with the United States supporting rebels against Soviet-backed governments. Precisely because of the support of powerful external actors, these sorts of conflicts are some of the most difficult to resolve.¹²

Although the next 50 years of international relations was characterized as a Cold War that divided “capitalist West” against “communist East,” there was significant international cooperation in the form of the United Nations, which as mentioned was created in 1945. Unlike NATO or the Warsaw Pact, the UN was inclusive of all countries. One important part of the UN, the Security Council, likely helped avoid major war between superpowers during the Cold War. We discuss intergovernmental organizations in Chapter 4.

Bretton Woods System (1944–1973): Compromise and Cooperation

As the Great Depression lay waste to economies in the early 1930s, classic economic thinking held that if an economy was doing poorly, governments should spend less and wages should be allowed to fall such that the economy becomes competitive again. British economist John Maynard Keynes challenged this idea. He said that during bad times, governments should increase spending and keep interest rates low to keep the economy moving. Why? Because of the paradox of thrift: What is the rational thing to do when you are threatened with unemployment? You will spend less and save more. When everyone thinks a recession is coming, they all spend less and save more. But this becomes a self-fulfilling prophecy: You think a crisis is coming, so you change your behavior, and this makes the crisis happen. Keynes said investors will not invest if there is no prospect for rising demand, no matter how low wages or interest rates go.

By the late 1940s, there was growing acceptance of the Keynesian idea that markets were not self-regulating and that governments had to manage their economies. This was not socialism, however, since Keynes wanted to understand how markets worked precisely so they could be made even more effective.

This helps us understand why industrialized countries emerging from WWII wanted to create an international economic system that would allow them to manage their own economies while simultaneously avoiding the protectionism and anti-free trade policies of the 1930s. They did this by creating the **Bretton Woods System (BWS)**, named after the place in New Hampshire where 44 Allied states met in 1944.

First, the states created a compromise system in which they all agreed to use a fixed exchange rate, but they were allowed to change the price at which their currency was fixed on occasion if they needed to manage their own economy. For example, a country might wish to raise the value of its currency if it wanted to be able to import foreign goods more cheaply, which would make consumers happy. This was the Bretton Woods Monetary Regime, explained in greater detail in Chapter 7.

Second, the states created the Bretton Woods Institutions (BWIs). This is where the World Bank (WB), World Trade Organization (WTO), and International Monetary Fund (IMF) all come from. The WB was originally designed to provide cheap loans to European states trying to rebuild after WWII. Today, the purpose of the WB is to help developing countries lift their people out of poverty. The WTO began as the General Agreement on Tariffs and Trade (GATT) and became the WTO about 50 years later. The GATT was created to enforce trade deals and resolve trade disputes between its members. Last, the IMF was created to ensure global financial stability by acting as a “lender of last resort.” When countries find themselves in crisis with no banks or governments willing to lend to them, the IMF is supposed to ensure that the country does not collapse.

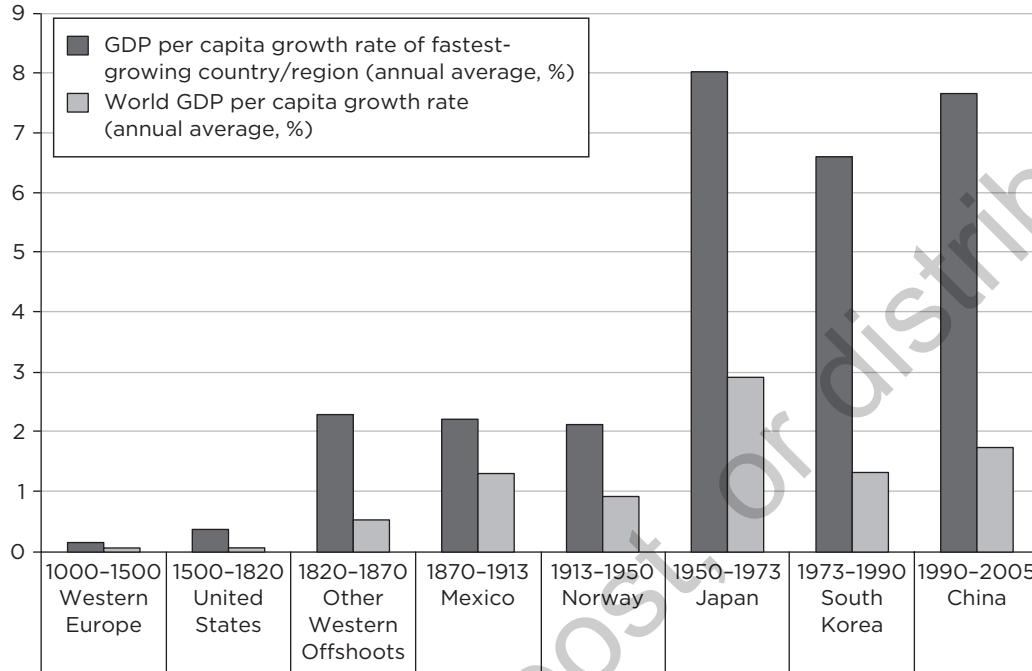
The Bretton Woods System was a success, with rapid economic growth in the 1950s and 1960s. When people talk about this golden age of American prosperity, this is partly why. The share of global GDP that came from trade doubled, meaning more and more of the world’s economic activity was centered on trading with one another, exactly as the BWS planned.

Figure 2.6 shows economic growth in distinct periods. The darker bars show the growth rate of the fastest growing country. The lighter bars show the economic growth rate for the whole world. We see that in the 1950–1973 period—the period of the Bretton

Bretton Woods System (BWS): economic order among mostly Western industrialized nations after World War II, providing for lower barriers to trade and investment while safeguarding the ability of member states to manage their economies even at the expense of international economic activity.

FIGURE 2.6

Economic Growth Under the Bretton Woods System (1950-1973)



Source: Rodrik, D. (2009). "Are the Good Times Really Over?" Dani Rodrik's Weblog. http://rodrik.typepad.com/dani_rodriks_weblog/2009/04/are-the-good-times-really-over.html

Woods System—global growth was higher than it had ever been before, and indeed, it was higher than it has ever been since. Growth was also broad based, meaning the economic gains did not just accrue to the top 10% to 20%, but there was expansion of the middle classes in industrialized countries. And in northern Europe, several states developed extensive social welfare systems, where states taxed citizens heavily and in return provided excellent childcare, healthcare, education, pensions, and unemployment compensation and retraining assistance.

Decolonization and Dependency

By the end of WWII, nationalist and independence movements were growing in most colonial states. Most of Spain's colonial possessions in the Americas had been independent since the early to mid-1800s, so anti-colonial struggles after WWII developed in Africa, the Middle East, and Asia. Prominent figures included Kwame Nkrumah of Ghana, Julius Nyerere of Tanzania, Léopold Senghor of Senegal, and Mahatma Mohandas Gandhi and Jawaharlal Nehru of India. These anti-colonial leaders were

not “mere” politicians: They were thought leaders. People like Senghor were respected intellectuals in their own right. They constructed a worldview that explained how the world “really” worked. Their ideas overlapped with many of the ideas of what became known as *dependency theory*, or **structuralist theory**, of the world economy. In this view, the world is not simply one of many independent states freely pursuing what they think is best for them. Instead, the world has been *intentionally structured* to benefit the wealthy, industrialized, white world at the expense of the poor, agricultural, nonwhite world. In this view, for example, Britain did not get wealthy despite Kenya being poor: Britain got wealthy *because it made Kenya poor*.

Independence generally came much more quickly than the colonial powers expected. In 1946, the United States gave up control of the Philippines. The next year, Britain left India, from which Pakistan emerged, and from which Bangladesh emerged decades later. One year after the British left the Palestine Mandate, Israel declared itself a state. In 1949, Indonesia gained independence from the Netherlands. In the 1950s, waves of independence swept Africa, first in North Africa with Libya, Tunisia, and Morocco all independent by 1956. In 1957, Ghana became the first sub-Saharan African country to gain independence. Decolonization spread rapidly in Africa thereafter, with major states like Nigeria, Côte d’Ivoire, Zaire/Democratic Republic of the Congo, and Kenya all gaining independence. Some struggles for independence were long and violent, especially where independence movements were opposed by white settler populations (like Zimbabwe) or Cold War powers (like Vietnam). In other cases, superpowers fueled conflict between indigenous populations seeking to control a newly independent state, such as the Angolan Civil War (1975–2002).

The 1950s and 1960s were a period of tremendous excitement and optimism in many developing countries. Countries that had not even existed a few decades before colonialism invented them were now legally free, and those in power felt the right and the duty to use the state to modernize their societies. The state, rather than the market, played a major role in their plans because dominant political thinking held that global markets and trading with wealthy countries were what held poor countries back. Rather than look to the economic models of the United States or United Kingdom, many developing countries looked instead to the East. Soviet economic stagnation set in gradually over the coming decades, but in the 1950s, they were admired by independence leaders for having cast off their imperial rulers and for turning poor and agricultural Russia into an industrialized and advanced socialist powerhouse. Moreover, the Soviets had claimed the first victory in the emerging space age by successfully sending a human into orbit in 1961.

Many developing countries tried to resist being dominated by what they called the “first world” (capitalist states led by the United States and the United Kingdom) or the “second world” (communist states led by Russia). Instead, they identified as the “third world,” a group of like-minded countries that had common experiences as postcolonial developing countries. Prominent states like Indonesia, Egypt, and India formed the Non-Aligned Movement in 1961 in an effort to present a united front in international forums like the UN General Assembly. In the 1970s, they advanced an agenda for a New International Economic Order, centered on improving terms of trade for developing countries, increasing development aid, and improving access to the markets of wealthy countries. The group still exists with 120 member states, but it has recorded few successes. One effort by developing countries to self-organize was successful, however. The Organization of Petroleum Exporting Countries (OPEC) was created in 1960 by five oil-producing countries trying

structuralist theory: also known as “dependency” theory; theory that wealthy countries got rich by making others poor. One variant, structural Marxism, believes elites in wealthy and poor countries all share a commitment to the survival of capitalism, and thus, states are tools used to ensure the dominance of capitalism.

to command a greater share of their oil wealth that had hitherto been controlled by the multinational oil companies.¹³ Through its control of energy prices, OPEC has played an important role in the global economy for more than 50 years.

The End of the Bretton Woods System

The optimism of the 1950s and 1960s that had come from space exploration, growth in the Bretton Woods economies, and the widespread ending of colonialism began to dwindle into the 1970s. The Bretton Woods Institutions (WB/IMF/WTO) lived on, but the fixed exchange rate that had been part of the West's prosperity in the previous 20 years was to end. U.S. president Richard Nixon needed to spend heavily for the Vietnam War, but the Monetary Regime required other countries to believe that the United States had enough physical gold supplies to be able to convert any amount of dollars for gold. As Nixon printed more dollars to pay for the war, people doubted whether the United States could honor the exchange rate commitment, and so Nixon left the Bretton Woods Monetary Regime in 1973.

The 1970s was also notable for spikes in oil prices that led to recessions in many industrialized countries. The welfare states of northern Europe struggled to sustain generous maternity leaves and pensions as tax revenues dwindled and welfare demand rose. But higher oil prices were precisely what OPEC wanted, and oil-producing countries had more cash than they could even invest in their own countries. The consequence was that oil producers deposited enormous amounts of dollars (oil contracts were priced in U.S. dollars) in major banks in Europe and the United States. Flush with cash, these banks found willing borrowers in developing countries eager to borrow money to build railways, ports, electricity grids, and schools. While industrialized economies suffered under high energy prices, oil producers prospered, and developing countries borrowed heavily.

This recycling of petrodollars came to a screeching halt when in 1982 Mexico announced that it would not be able to pay its debts to international banks. The precipitating event was a recession in the United States, when the U.S. Federal Reserve had raised interest rates to make it expensive to borrow from banks. President Ronald Reagan did this because he wanted to reduce spending in the economy to bring down inflation. The knock-on effect, however, was that he sent the United States and many other economies into recession. This reduced global demand for exports from developing countries, while the rise in interest rates increased the debt burden for developing countries. Worse, the value of the dollar rose, so loans that were in U.S. dollars now became enormous. By 1983, 27 countries owing \$239 billion had rescheduled their debts or were in the process of doing so: 16 of these were in Latin America.

The Rise of Neoliberalism and the Fall of Communism

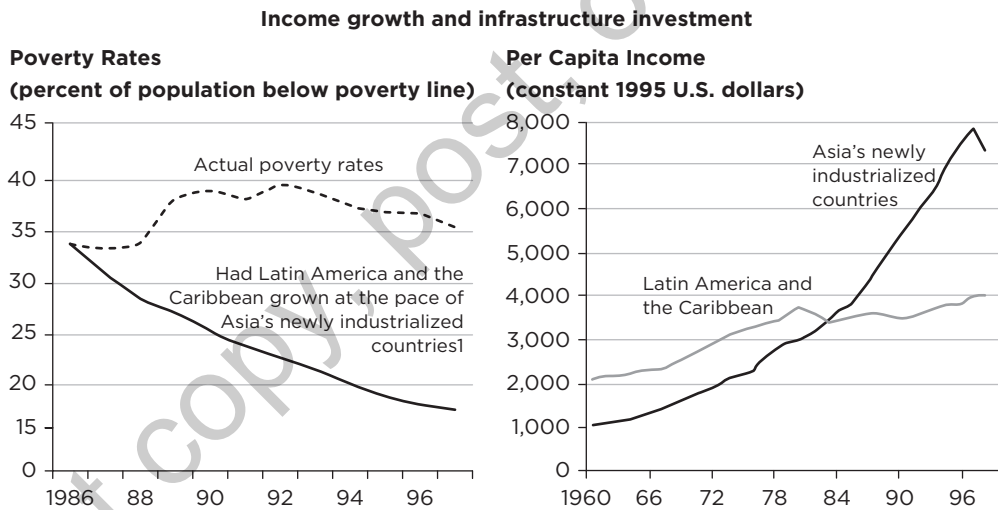
It was at this time that the IMF began to expand its activities significantly. As the "lender of last resort," it was the organization countries turned to when no one else would loan to them. Countries like Mexico were in such a position. In return for loaning massive sums of money to developing countries to pay their debts, the IMF required that developing countries make significant changes to their economies. The logic behind these changes (known as "conditionality") was inspired by ideological developments in the United States and the United Kingdom especially, where Keynesianism and state involvement in the

economy had come under attack. In its place was **neoliberalism**, an ideology that preferred market-based solutions to problems, whether they be financial crises, climate change, or even how to pay for public schools. Intellectually, these ideas were represented in the work of Milton Friedman and Friedrich Hayek and politically by U.S. president Ronald Reagan and U.K. prime minister Margaret Thatcher.

neoliberalism: ideological belief that free markets are desirable in an economy and in society as a whole.

These pro-market ideas were also influential among intergovernmental organizations engaged in lifting developing countries out of poverty. When developing countries came to the WB and IMF in crisis, therefore, the message they received was that their states were too involved in their economies. They had to liberalize, deregulate, and privatize. This was the beginning of structural adjustment programs (SAPs). In many countries in Latin America and sub-Saharan Africa, cutbacks in government spending on health and education services made poverty worse in the 1980s, a period known as the “Lost Decade” (Figure 2.7). This was especially disastrous in Southern Africa where the HIV/AIDS epidemic was begging to explode, just as health facilities were being defunded.

FIGURE 2.7
Latin America’s Lost Decade



¹Asia’s newly industrialized countries grew 5.8 percent a year, on average, during 1986–97.

These graphs illustrate why the 1980s is called a lost decade for Latin America. On the left, we see the percentage of the population below the poverty line. The top line shows an increase in the percentage of the populations of the Caribbean and Latin America below the poverty line. By the mid-1990s, these populations were back to where they had been in the mid-1980s. The line below it shows what this poverty rate would have been had these economies grown at the pace of Asia’s newly industrialized countries. You can think of the gap between the two lines as the Lost Decade. On the right, we see per capita income from 1960 to 1996 in Asia and Latin America/Caribbean. Both lines go up over time, meaning per capita income increased. But the difference between the two becomes extreme as Latin America and the Caribbean enter the Lost Decade.

Source: Leipziger, D. (2001, March). “The Unfinished Poverty Agenda: Why Latin America and the Caribbean Lag Behind.” *Finance and Development*, 3(1). <http://www.imf.org/external/pubs/ft/fandd/2001/03/leipzig.htm>

The 1980s were not only a period of economic decline for the world's poorest countries. The Soviet Union was also beginning to show signs of significant weakness. Starting in 1979, the Soviets had been involved in a lengthy and an expensive invasion of Afghanistan. Since 1981, the Reagan administration had dramatically increased U.S. military spending in an attempt to entice the Soviets to follow suit and bankrupt themselves in the process. The Soviet Union was falling behind militarily and economically. Although it had once made great leaps in industrial production, it had failed to innovate and move beyond heavy industry. Under Mikhail Gorbachev in 1985, the Soviet Union attempted to improve relations with the United States, while introducing economic and political reforms within the USSR. By the end of the 1980s, the Soviets had reduced their control over, and support for, other communist regimes. The Berlin Wall, the literal and symbolic dividing line between East and West, fell in 1989. When the Soviet Union dissolved in 1991, 15 newly independent states emerged.

Why did the Cold War end? One theory holds that U.S. military spending forced the USSR into bankruptcy in an effort to keep pace, whereas a variant says the stagnant Soviet economic model would likely have collapsed without foreign pressure. Yet another says that Soviet *ideas* changed. Specifically, Gorbachev had new ideas for how to build a stronger Soviet Union. In this reading, the Cold War ended because communism was found not to work. Although the former explanations for the end of the Cold War had to do with material things like declining economic strength, this latter explanation had to do with ideas, which are nonmaterial. As we will see later, this reflects a division in how social scientists see the world: Some think people do things for material reasons (i.e., they want money, or they fear violence); others think people do things for nonmaterial reasons (i.e., a “good state” is one that bans land mines or allows women to vote).

THE SECOND GLOBAL AGE: AN EXPLOSION OF GLOBAL FINANCE, INTERNATIONAL INTERACTIONS, AND NEW TENSIONS

The world entered its current rate of tremendous economic growth and relative geopolitical stability in the 1990s. Exact dating of the beginning of this second global age is not possible because the intensity or depth of interactions around the world has developed unevenly. Certainly, global trade and telecommunications innovations advanced in the 1990s. But two significant drivers of globalization began before that. The first was China's move to become an export powerhouse. The second was the growth of global finance. We will begin this section by looking at developments in China and global finance that began before the 1990s. Thereafter, we will discuss four important developments since the 1990s that bring us up to today: the global spread of elected government; explosive growth of the Internet; terrorism and the politics of waging wars against it; and faster economic growth in developing countries than in the developed world, with a resulting shift of many countries from the ranks of the world's poorest to the ranks of middle-income countries.

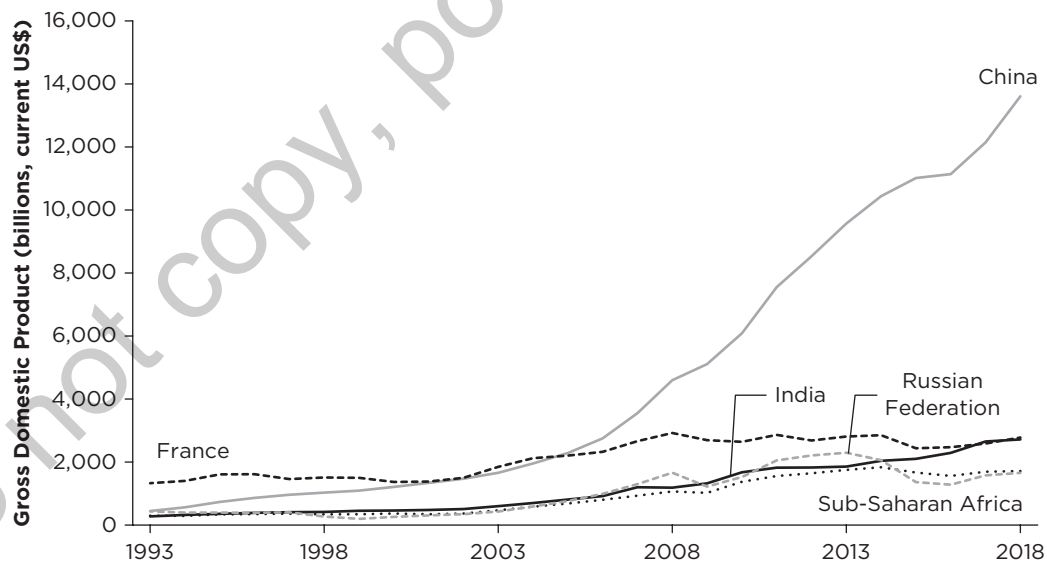
China (Re)emerges

China under Mao Zedong attempted to imitate the remarkable industrialization witnessed in the Soviet Union. Mao's Great Leap Forward (1958–1961) tried to move China from a rural, agrarian economy into a modern, urban society rapidly through the use of

industrialization and forced collectivization, which banned private farming. One result was a famine that killed 20 million people. After Mao's death in 1973, Deng Xiaoping began a series of economic reforms that continue today. Special economic zones were set up in which private firms were allowed to operate. Limited foreign investment was also allowed. The result was a flood of multinational corporations building factories in China to take advantage of low labor costs, political stability, and export infrastructure in the form of railways and ports. These reforms are often labeled "liberalization," but that is not accurate. Politically, the Chinese Communist Party is highly authoritarian, repressive, and invasive. Economically, there is tremendous state involvement in the economy, which is why the three biggest banks in the world are all Chinese state banks, the largest of which has \$4 trillion in assets.¹⁴

It is more accurate to speak of China's re-emergence than of its rise. There has been a functioning state in China for at least 2,000 years. Compare that with states in Africa, many of which are at most one century old, and states in Europe, many of which are only about 200 years old. While European societies were technological backwaters more than 1,000 years ago, China had already invented modern forms of bureaucracy, standardized building codes, piped gas, steel, and even playing cards and toilet paper. This is why people refer to the recent rise of China as the *return* of China. It is the re-emergence of perhaps the oldest and most sophisticated continuously existing social and political system in the world.¹⁵ China's rapid economic growth is shown in Figure 2.8.

FIGURE 2.8
China's Booming Economy



China's economy is now larger than that of India, France, and Russia, as well as of all sub-Saharan African countries combined.

Source: Data are from the World Bank, World Development Indicators.

IS From the Outside-In

WHY DID CHINA EMBRACE THE GLOBAL ECONOMY?

Most accounts of China's embrace of the global economy start with gradual economic reforms enacted by Deng Xiaoping in 1979. After the economic disaster of Mao's communism, Deng declared "to get rich is glorious!" Farmers were allowed to market a portion of their crops privately rather than produce only to meet government quotas. The introduction of township and village enterprises (TVEs) encouraged local governments to invest in businesses that were right for their local context. Importantly, profits could be returned to the local government officials, giving officials an incentive to see local businesses do well. And foreign firms were encouraged to come to invest and build factories.¹⁶ The results were a quadrupling of the country's output in 20 years. China surpassed Japan as the world's second largest economy in 1992.

International studies helps us see our global age with inside-out and outside-in perspectives. In the case of Deng, accounts stress his political leadership, pragmatism, and courage. In introducing limited market reforms, in enabling Chinese to move about more freely within China, and by implicitly tolerating some inequality, Deng marked a real break from his predecessor, Chairman Mao. As to whether this turn to markets was a betrayal of communism, Deng, the pragmatist, famously replied, "If a cat catches mice, what does it matter if it's black or white?" This is an Inside-Out view because we start from the local and ask how it affected or was experienced by the global. But an Outside-In perspective is also possible.

China's economic reforms were influenced by ideas and experiences beyond its own borders. For example, Deng learned from Japan's export-oriented economic model as well as from its emphasis on technological upgrading. In the West, people often assume China grew by using its abundant cheap labor. Certainly

that played a part, but it also misleads. Indeed, China did not stay in the business of exporting low-tech consumer goods. Rather, the government borrowed economic policy ideas from neighbors such as Japan and South Korea who supported native companies while taxing foreign goods coming into the country. The policy was designed to move the economy up the value-added ladder, away from producing low-tech goods such as jeans, and toward hi-tech industries such as consumer electronics.

China borrowed from other neighbors too. From Taiwan, China copied the idea of a *free trade zone*. From Singapore, it got the idea of encouraging investment from multinational corporations. These companies would bring capital, expertise, and links to global markets. From Hong Kong, China saw that tourism could help the economy. Deng also learned from India how useful diasporas can be. For example, he embraced Y. K. Pao, a Chinese financier who had fled to Hong Kong after the Communist Revolution. Pao told Deng of his intent to invest in the new China, saying, "I was born in China. My roots are in China. I will do what I can to help the motherland to develop."¹⁷ This cross-border learning may have come full circle: the Obama-produced Netflix documentary, *American Factory*, shows factory workers in Ohio trying to learn techniques from their Chinese counterparts.

An outside-in perspective also alerts us to the historical moment in which China began to globalize. Because of its limited engagement with the global economy, China avoided the 1980s debt crisis that shook many developing countries. China also benefited from having a large diaspora (Chinese living abroad), especially in the United States. This would prove useful in forging links between importers and exporters. And in the 1990s, China's export

orientation was able to meet a global appetite for cheap consumer goods, irrespective of the working conditions involved in their production. Historians Niall Ferguson and Moritz Schularick used the term “Chimerica” to refer to the relationship in which Chinese workers manufacture goods that American consumers import, and the money exchanged is then recycled by China as credit to enable further American consumerism.¹⁸

Deng’s economic policy was also shaped by his sense of China’s place in the world. He sought a low-profile foreign policy precisely because China was not strong enough for anything else. As we learn in Chapter 4, realists

think international relations is a self-help system in which states have to carefully guard their very existence.

This is why Deng said, “If we do not develop, then we will be bullied.”¹⁹

Reflect

One interaction we saw in this example was between China and the Chinese diaspora. How many more interactions can you identify? Interactions can be between two actors within one country, between two international actors, or between one international and one domestic actor.

The Extraordinary Growth of Global Finance

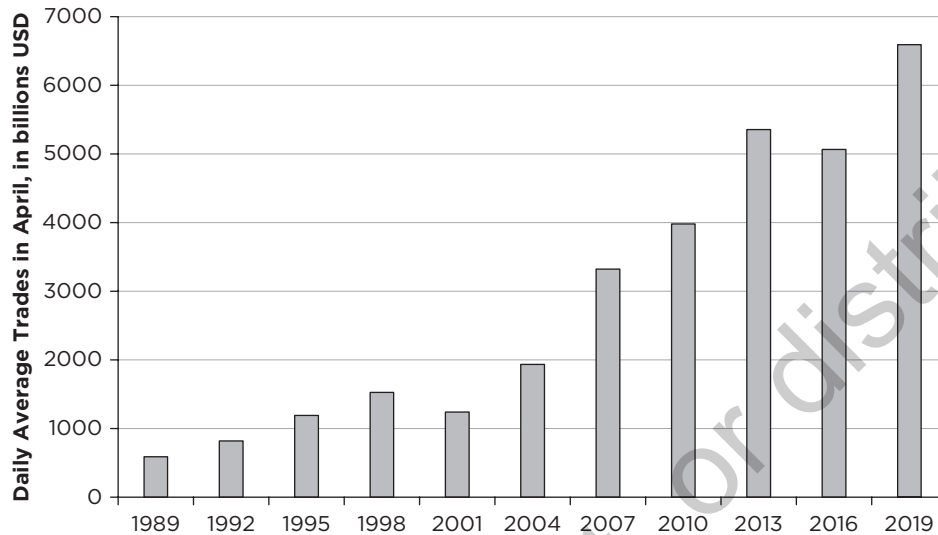
Financial globalization refers to the massive amount of money that is exchanged daily on global markets. Under the Bretton Woods Monetary System (1944–1973), major economies limited the amount of money that could move in and out of their economy (known as “capital controls”). They did this because huge amounts of investment or speculative market activity would have made it difficult to manage their own economies. Once the Bretton Woods Monetary System ended, however, money began to move more freely between countries. As wealthy countries removed these restrictions throughout the 1980s, investors and speculators moved billions around the global economy.

The sums were enormous. In 1973, \$160 billion was available for lending on international markets. By the early 1990s, they held over \$5 *trillion*.²⁰ In the 1980s, the global financial system accounted for less than 5% of global GDP. Today it is over 15%. In 1975, international lending by banks was about \$100 billion. In 2012, it was worth \$20 *trillion*. In 1986, about \$850 billion was traded in currencies every day in international foreign exchange markets. Today, about \$6.6 *trillion* worth of currencies are traded every day (Figure 2.9). Most of that currency trade is buying and selling euros for U.S. dollars since trade between the two is so enormous. You and everyone you know are probably intimately involved in this. When you buy something made in the European Union (EU) on Amazon, a currency trade occurs to allow you to pay in dollars and for the seller to get paid in euros.

Global finance has exploded for a few reasons. First, many countries removed legal limits to the buying and selling of currency and to the movement of money across borders. Second, there was liberalization of financial centers like The City in London, which is Britain’s Wall Street. The City had once been the leader in global finance, meaning the place where companies and governments could come to borrow, but it had fallen behind Wall Street. Prime Minister Margaret Thatcher (1979–1990) responded by removing restrictions on how market traders and investors could operate. It was in The City that complex financial instruments like derivatives markets were invented, which unleashed billions that would eventually be loaned out around the world.

FIGURE 2.9

Daily Trades in Global Foreign Exchange Markets



Source: Data are from Moraru, A. (2013, December 2). "Forex Market Turnover Infographics #1." <http://www.earnforex.com/blog/forex-market-turnover-infographics-1/>

Communications and transport technology also made it possible for large firms to be active in global markets 24/7. International flights, high-speed Internet, and advances in shipping technology made it possible for light bulb manufacturers and currency speculators to factor wars, weather, or commodity prices millions of miles away into their investment decisions. The real cost of air travel fell 90% from 1930 to 2000. In the 1920s, a five-minute phone call from New York to London would cost an American worker three weeks wages. By 2000, it would cost 15 minutes' worth of wages.²¹ Meanwhile, growth in the financial sector made available ever larger sums for them to expand their economic activities. Today international trade is worth about \$18 trillion per year. There are approximately 82,000 multinational companies with one quarter of total global production, one third of world trade, and 77 million employees.²²

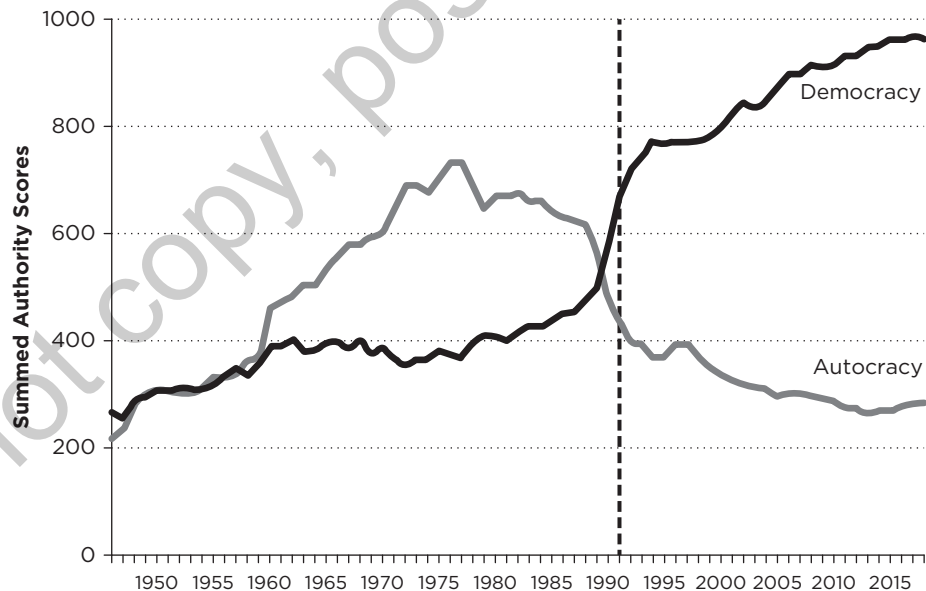
This financial globalization had two important consequences. First, enormous sums of money became available for countries, including developing countries, to borrow. Capital flows to developing countries went from \$60 billion in 1990 to about \$1 trillion today and funded the construction of factories, airports, railways, mines, roads, and houses.²³ Second, these enormous amounts of money threatened the financial systems of many newly liberalized economies, which is why financial globalization was intimately tied to multiple financial crises in Latin America, Russia, and Southeast Asia that were intensely destructive and made life worse for millions. This is also partly why U.S. homeowners and credit card holders were able to borrow so much before the 2007 housing market bubble burst and the global economy crashed.

The Spread of Elected Government

After decades of U.S.- and Soviet-backed dictatorships, a wave of regime change had spread throughout Africa in the early 1990s. Like the optimism that greeted independence decades earlier, people were excited to watch African states move from dictatorships to multiparty electoral systems. This sense of change was embodied in the release from prison of Nelson Mandela in South Africa, as well as in that country's mostly peaceful transition from a racist apartheid government to a peaceful, multiparty democracy. This wave of political reform was not restricted to Africa. In the 1980s and 1990s, military and one-party dictatorships fell throughout Latin America, Central Europe, and East Asia. By 2000, most countries in the world had governments elected by the majority of their populations, which was a first for humanity. Figure 2.10 shows data from a widely used dataset in political science. The red line shows a decline in the number of countries considered autocratic and a rise in the number considered democratic (blue line), starting around 1990. Democratization processes are discussed in more detail in Chapter 8.

By the end of the 1990s, however, Afro-optimism turned to Afro-pessimism. Many states experienced protracted civil wars, which in places like Somalia and Liberia led to a total collapse of state authority. The entire neighborhood of countries in central Africa

FIGURE 2.10
Global Democracy and Autocracy, 1946–2018



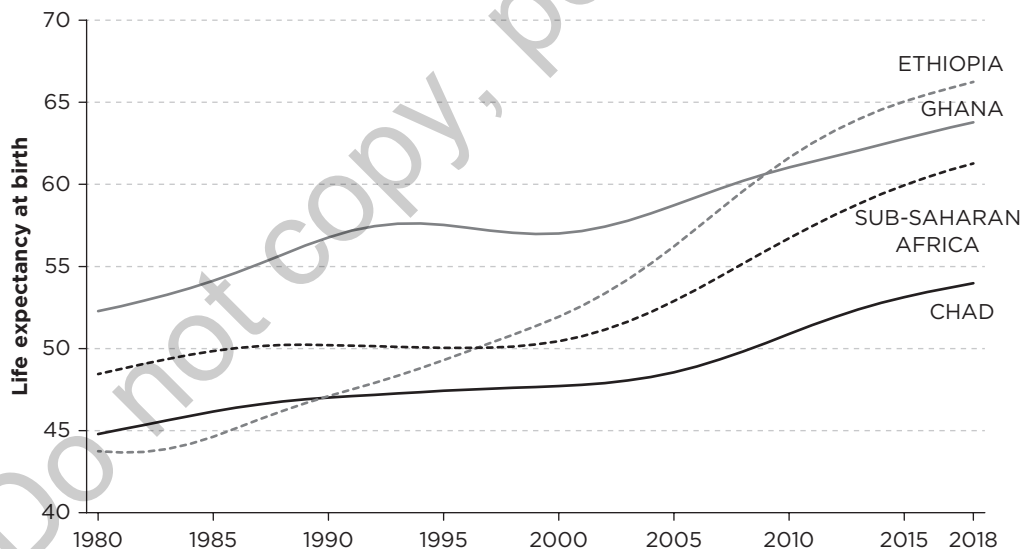
Source: The Center for Systemic Peace. "Global Conflict Trends," Figure 14, "Global Democracy and Autocracy, 1946–2016." <http://www.systemicpeace.org/conflictrends.html>

was engulfed in a multicountry conflict in the Democratic Republic of Congo, a country four times the size of France, in a conflict that killed millions. Added to the Rwandan Genocide in 1994 in which more than 600,000 civilians were killed in three months, the international image of Africa was one of disorder and backwardness.

The mass violence, in particular significant civilian deaths, added to growing calls to reconsider the very idea of state sovereignty: the idea that no government may intervene in the domestic affairs of another. Not only were there mass atrocities in some African states, but there also was ethnic cleansing and genocide in southern Europe as Yugoslavia broke up. The idea of humanitarian intervention gained support even though it was not a new idea. Powerful states formulated a plan called “Responsibility to Protect” (R2P) that called for the UN to commit to playing a role in managing conflict, thus expanding humanitarian efforts enormously in the 1990s.²⁴

Today, the image of Africa is much more mixed. States like Ghana, Botswana, and South Africa are politically open and growing economically. States like Ethiopia and Rwanda are stable and growing economically, although they remain politically repressive. On the other hand, governments in Chad, Somalia, and Nigeria cannot control effectively swathes of their own territory. Figure 2.11 compares life expectancy at birth in Ethiopia, Ghana, and Chad, as well as provides the average for sub-Saharan Africa as a whole. We see that the sub-Saharan Africa average has generally increased since the turn of the century, but some countries have progressed faster than others.

FIGURE 2.11
Life Expectancy at Birth in Three African Countries



Source: World Bank. Life Expectancy at Birth, total years. <https://data.worldbank.org/indicator/SP.DYN.LE00.IN?contextual=default&end=2015&locations=ZG-GH-TD-ET&start=1990>. Licensed under CC BY 4.0. <https://creativecommons.org/licenses/by/4.0/>

The Internet Age

The Internet is a hallmark of this second global age, yet the impact of the Internet in the 1990s is easily romanticized. As late as 1998, only one quarter of U.S. households had computers, and not all of those were online.²⁵ According to the International Telecommunications Union, the percentage of the global population with Internet access never went above 10% that entire decade.²⁶

The remarkable online takeoff in the 1990s was less in actual usage and more so in the speculative bubble that developed around new Web companies that dreamed of reaching billions of people in a totally new commercial model. The growth model used by websites such as Boo, GeoCities, and Lycos featured rapid expansion of the customer base, even at the expense of actual revenue. Investors bought into Web companies that reported millions of visitors but no profit whatsoever. Dallas Mavericks owner Mark Cuban was made a billionaire when Yahoo! paid almost \$6 billion for Internet radio company broadcast.com in 1999. The site was discontinued only three years later. The talk of the 2000 Super Bowl was the number of websites that bought expensive ads, something that was novel at the time: 16 websites bought ads at a cost of about \$2 million each. The stock market crash that started in 2000 wiped about \$5 trillion off the worth of the NASDAQ.

Whereas the world's largest companies in 1900 were involved in oil, steel, and mining, today finance and technology companies are major players. Of the top ten most valuable publicly traded companies in the world, all but two are financial, while the other two are computing and oil and gas companies.²⁷ Apple's market value in 2019 was \$961 billion, three times that of oil giant Royal Dutch Shell.²⁸ The Internet age has not only created new economic giants, but it has also connected people in vast online social networks, as well as in transnational production networks.²⁹ In the case of Apple, international production includes software development by a multinational company in California, miners digging for tin ore in Indonesia, and factory workers assembling iPhones in China, all transported on Greek-owned ships. See the Introduction for more on the importance of the Internet.

The Long Shadow of the “War on Terror”

The next seismic event in this second global age involved the events leading to the so-called “War on Terror.” On September 11, 2001, 19 men—15 from U.S. ally Saudi Arabia—hijacked four planes, ultimately leading to the death of 2,996 people. Twenty-six days later, the United States and Britain began bombing Afghanistan in an effort to capture Osama bin Laden and dismantle the al-Qaeda network that had sponsored the attacks. Over a decade later, it is the longest ever U.S. war. It has led to the deaths of just over 2,000 U.S. soldiers, and over 150,000 Afghans, including over 43,000 civilians.³⁰

On March 19, 2003, the United States led an invasion of Iraq after many months of a highly divisive diplomatic campaign to gather support for war. The *Guinness Book of Records* lists the largest ever antiwar rally occurring on February 15, 2003, when three million people in Rome gathered to protest the impending war. Millions took part in similar protests across the world in the early months of 2003. At the international level, UN weapons inspectors entered Iraq and reported “no evidence or plausible indication of the revival of a nuclear weapons program in Iraq.”³¹ But the report came months after the U.S. Congress had already authorized the use of force in Iraq. The suggestion that the Bush administration wanted to remove Saddam Hussein from power, and was merely using allegations of weapons of mass destruction as a pretext, has only grown over time.

For example, aides to Defense Secretary Donald Rumsfeld reported that on the afternoon of 9/11, Rumsfeld asked for intelligence information that would be “good enough [to] hit Saddam Hussein at [the] same time. Not only Osama bin Laden.”³²

Since the United States invaded Iraq, there have been over 182,000 Iraqi civilians killed by direct violence. Over 7,000 U.S. troops, 8,000 contractors, and over 110,000 allied troops and national police in Iraq and Afghanistan have been killed. When researchers include deaths resulting from things like destroyed health infrastructure, the number of dead Iraqis is approximately half a million.³³ In 2013, the U.S. Department of Veterans Affairs reported that, on average from 1999 to 2010, one veteran committed suicide every hour.³⁴

Although military action was successful in removing Saddam Hussein and Osama bin Laden, it led to a significant destabilizing of the entire region. Governments in Afghanistan and Iraq were defeated in just a few weeks, but what followed were decades-long civil wars in which various ethnic and religious groups fought against the United States and against one another for control of the state. The United States and its allies have spent the past decade in protracted wars, but not against other states. Instead, they have been fighting nonstate actors, like al-Qaeda, the Taliban, and the Islamic State of Iraq and Syria (ISIS, or “the Islamic State”).

By the end of the first decade of the 2000s, the Middle East was in upheaval, as a wave of anti-authoritarian protests rocked the Arab world. Protests that started in Tunisia in late 2010 saw the fall of government in Tunisia, Egypt, Libya, and Yemen about one year later, as well as uprisings in Bahrain and Syria, and street protests in almost every other Arab-majority country. The popular revolts seemed to reflect the times: a global norm that unelected government was illegitimate; the use of social media to connect disparate groups; and the interconnectedness of global markets, as biofuels drove up the price of staple foods in developing countries.³⁵ The outcomes of the Arab Uprisings have been highly varied: Tunisia has an elected government; Egypt once again has a military ruler; governments in Libya and Yemen appear unable to control their own territory. Elsewhere, protests have been brutally repressed, and civil wars are ongoing. In the chaos and struggles for power, nonstate actors like the Islamic State briefly governed territory covering millions of people in Iraq, Syria, and across Africa’s Sahel.

The Rise of New Powers

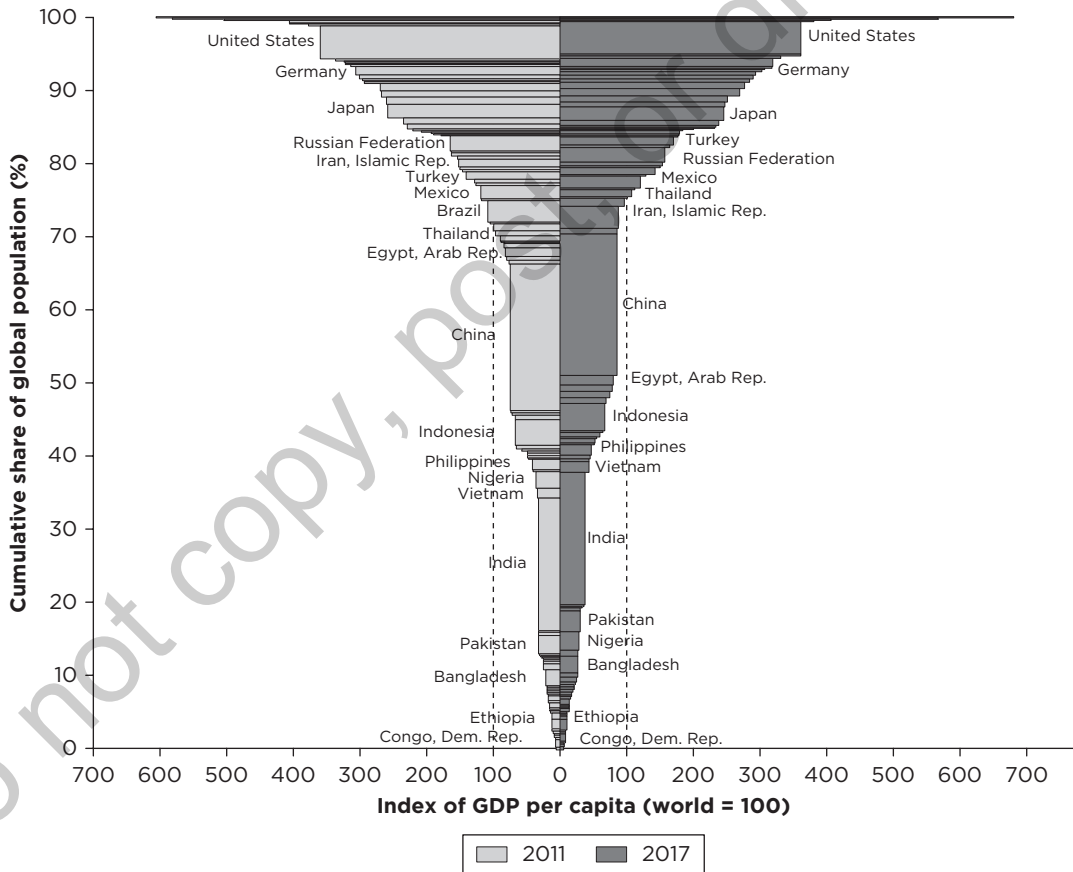
In the past two decades, many poor countries have made significant economic strides. There are four major reasons for this. First, many emerged from lengthy and costly civil wars, and political stability is essential for growth. Second, commodity prices have been high, which has helped spur growth in countries with abundant natural energy resources, such as Brazil and Russia. Third, investors have been excited by the potentially large returns offered by emerging economies, and as a result, poorer countries can now avail themselves of significant amounts of investment. Fourth, a poor country can take advantage of available technology to jump-start its growth because it does not need to reinvent the wheel. Consider malaria. A poor country suffering from malaria has at its disposal the knowledge of the world about where malaria comes from, how it is spread, how it can be treated, and how it can be prevented. The same goes for road-building technology, telecommunications technology, food technology, and so on.

The second global age has witnessed a reversal of a much longer trend in global inequality.³⁶ Although inequality between countries generally grew in the past 200 years, it has narrowed in the past 20 or so years. The initial divergence was mainly because of the rapid development of the Industrial Revolution and the growth of strong states in the Western world, followed by the spread of colonialism, in which these increasingly wealthy countries retarded the progress of societies that had weak or not-yet-strong-enough economic and political systems to resist

domination. Nobel-prize-winning economist Michael Spence says that the 200-year period leading up to 1940 was a “breakout period for a minority of the world’s population, with some 750 million people living in industrializing countries and the remaining 4-plus billion left behind.”³⁷

Over the past two decades, however, the opposite is true: Developing countries have had much stronger economic growth than developed countries. Countries like Brazil and China have raised tens of millions of people out of poverty. But wealth is still highly concentrated in the world. In Figure 2.12, the human population is shown from left to right, and wealth is shown on the vertical axis. The dotted line shows the average per capita wealth for all countries is \$13,460. We see that only a small share of humanity is above this line and that a tiny share is far above it. China and India are especially notable for the size of their populations. Figure 2.13 provides an overview of the interactions and tensions that have resulted from this second global age.

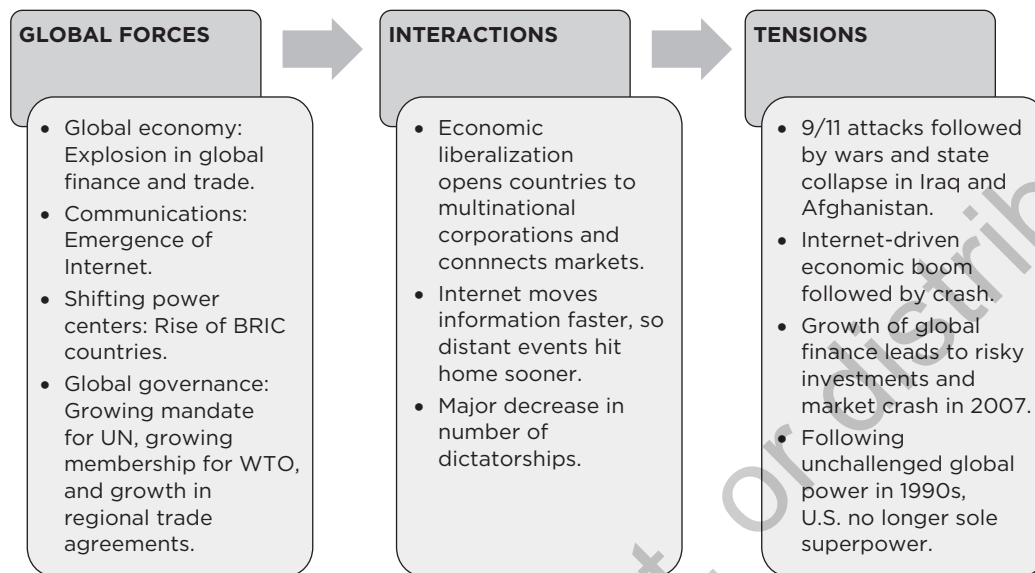
FIGURE 2.12
Share of Wealth in the Global Population



Source: World Bank. (2020). *Purchasing Power Parities and the Size of World Economies: Results from the 2017 International Comparison Program*. <https://openknowledge.worldbank.org/handle/10986/33623>. Licensed under CC BY 3.0 IGO. <http://hdl.handle.net/10986/33623>

FIGURE 2.13

Global Forces, Interactions, and Tensions in the Second Global Age: A Synopsis



A Third Global Age? Nationalism, Populism, and the Globalization Backlash

If the trajectory in recent decades has been ever more cross-border interaction, the trajectory in recent years appears to be the opposite. We may be entering a third global age. However one characterizes it—a reversal, a slow-down, or a complete stoppage of global integration—something seismic happened in 2016 with the election of Donald Trump and the United Kingdom’s decision to leave the EU (“Brexit”). But although Donald Trump and Brexit provided a stark vision of this “globalization backlash,” those events were a continuance of the longer term decline in center-left and center-right political parties in rich countries. That decline, and the election of Trump and Brexit, shook the belief that international interactions would inevitably continue to deepen as in the past. Let’s look at the two forces that appear to be pushing against global integration: nationalism and populism.

Brexit was perhaps the most visible shaking of global integration in recent history. When the British public voted in 2016 to leave the European Union, observers said it “leaves no doubt that in today’s global equation, national interests are supreme and globalization is suspect.”³⁸

The United Kingdom’s conservative then-Prime Minister, Theresa May, appeared to confirm as much when she said that cosmopolitan “citizens of the world” are really “citizens of nowhere.”³⁹ The implication was that to be a U.K. citizen was to be a citizen of a “real thing,” while to feel allegiance to a global or international community was to be a citizen of a “fake thing.”

This nationalist sentiment was echoed in the rejection of international integration from the U.S. Secretary of State, who declared: “international bodies must help facilitate cooperation that bolsters the security and values of the free world [i.e., the United States], or they must be reformed or eliminated . . . our mission is to reassert our sovereignty.”⁴⁰ Prominent examples of this “America First” policy included withdrawal from major agreements, such as the Paris Agreement on Climate Change, the UN Human Rights Council, the Universal Postal Union treaty, the Global Compact in Migration, and the Intermediate-range Nuclear Forces treaty. Other examples include withdrawing support for the International Criminal Court and the World Health Organization, not to mention bombing another country without UN authorization.⁴¹

Waves of nationalism have not only lapped on the shores of Britain and the United States. In Spain, the far-right Vox is less than a decade old but already is the third biggest party in the legislature. Vox is strongly opposed to immigration by non-Europeans. Right-wing nationalists were (re)elected in India, Poland, the Philippines, the United States, Turkey, Hungary, Austria, Italy, and Brazil. Leftist political parties have taken seats from centrist parties in Scotland, Spain, Greece, and Germany. The decline of centrist parties is important because those forces had been instrumental in building the national and international infrastructures of our current global age. For example, while moderate Republicans have tended to favor global economic integration, Fox News anchor Tucker Carlson railed against putting a religious faith in markets ahead of one’s country.⁴²

We also see in some (but not all) of this nationalist rhetoric a new way of talking about politics. This is the second force pushing against global integration: populism, which is an “ideology that considers society to be ultimately separated into homogeneous and antagonistic camps, ‘the pure people’ versus ‘the corrupt elite,’ and which argues that politics should be an expression of the general will of the people.”⁴³ Benjamin Moffitt says populism is not an ideology but a style, or a way of performing, politics.⁴⁴ It is embodied in the behavior of



Brexit
Martyn Wheatley/i-Images / Polaris/Newscom



Donald Trump shaking his fist on the front page of the FT Weekend newspaper shouting “America First” headline article

Kathy deWitt/ Alamy Stock Photo

populism: political style or strategy where a leader claims to represent “real people” against the “corrupt elite.” Not the same as nationalism. Can be left-wing or right-wing. Intolerant of political opposition or judicial constraints.

Donald Trump, whose leadership style discards the notion that leaders should be ethical, unbigoted, or honest, or that policy-making should be carefully planned and respectful of experts. This was encapsulated in the famous reply by a U.K. cabinet member when asked which experts could substantiate his arguments in favor of Brexit: “People in this country,” he said, “have had enough of experts.”⁴⁵ Sometimes populists are called populist nationalists, but the terms are actually distinct. Populists emphasize the needs of “ordinary people”—vaguely defined—over the views of “experts,” while nationalists tend to emphasize people of a specific background. We can see how **populism** and nationalism blend when France’s Marine Le Pen critiqued “uncontrolled free trade that helps only the banks and financiers.”⁴⁶ This right-wing figure rejects not only cross-border economic integration (“uncontrolled free trade”) but also the group that benefits (“banks and financiers”) at the expense of French people.

But where did this backlash come from? Let’s look at two groups of explanations. In the first group, researchers such as Diana Mutz and Janelle Wong have found that support for right-wing parties is especially strong among whites, the very religious, and those without advanced education.⁴⁷ Other researchers conducted an experiment that asked respondents to choose a hypothetical candidate for immigration to the United States.⁴⁸ The researchers then randomized features of each hypothetical immigrant. Overall, they found voters prefer better educated, English-speaking immigrants, and it didn’t matter if the immigrant was from a wealthy or poor country. Similarly, Yotam Margalit found that respondents without a college degree were 10% less likely to support “trade and business ties between our country and other countries” when first primed by the study to think about “the decline” of American culture, such as schools singing the U.S. national anthem in Spanish.⁴⁹ Some observers refer to this as “cultural anxiety,” meaning the feeling voters experience that they are losing their cultural position.

The second group does not deny that racism and xenophobia are potent political currents, especially in the United States and the United Kingdom. But they would say that racism

does not explain the vote for left-wing politicians across the industrialized world. What actually explains it is inequality and stagnant wages that are the hallmark of industrialized economies in recent decades. In other words, the political events since the Global Financial Crisis were a long time coming.⁵⁰ In the late 1990s, for example, historians had already shown how the main losers from free trade in 19th-century Europe were landowners, who faced competition from newly “available” land in the New World. The reaction in countries such as Germany and France was a decline in support for free trade, while immigration from Europe to the United States was made more difficult as U.S. workers feared for their jobs.⁵¹

There is certainly evidence that many Trump voters in 2016 were dissatisfied



Campaign poster from Germany’s far-right AfD Party: “New Germans? We Make Them By Ourselves”.

Source: Valodnieks via https://ie.m.wikipedia.org/wiki/File:Wahlplakat_AfD_Bundestag_2017.jpg CC BY 4.0 <https://creativecommons.org/licenses/by-sa/4.0/>

with their economic situation.⁵² Trump's populist appeal—how much Trump 2016 improved on Romney 2012—was stronger where declines in manufacturing jobs were greater.⁵³ In the British case, while some research has found that support for Brexit was strong among the elderly, white, and less educated,⁵⁴ other research has looked more at Brexit-voting areas rather than at individuals and has found that Brexit support was strongest in areas hardest hit by economic globalization, especially imports from China.⁵⁵ This is similar to the United States, where Trump did well in areas most exposed to imports from China (the so-called “China Shock”).⁵⁶

This research suggests that a person's individual characteristics, such as age or income, does not determine how they vote. Rather, what matters is the community in which they live. Even if I have a good job, I may not feel positive if friends and neighbors are losing jobs, and property values decline, businesses shutter, and smaller tax bases mean state and local governments provide fewer public services. The idea that the global economy is felt at the level of a community, and not just at the individual level, is supported by the work of Anne Case and Angus Deaton. They wrote about “deaths of despair,” by which they meant deaths from suicide, opioids, and alcohol.⁵⁷ They found that white Americans between 45 and 54 years of age actually had *declining* life expectancy, a pattern not seen anywhere else in the world.

Two recent books attempted to delve into these communities. In *Strangers in Their Own Land*, sociologist Arlie Russell Hochschild spent time with people in Lake Charles, Louisiana, who suffered terrible pollution yet stridently opposed the Environmental Protection Agency (EPA).⁵⁸ She found that widespread opposition to the EPA was not rooted in a disregard for the environment. Rather, residents were skeptical of the federal government, which they felt did not care about “people like us.” Even educated and wealthy people considered themselves part of this group. Political scientist Kathy Cramer found something similar after many years spent with small groups in rural Wisconsin. What mattered for support for anti-elite politics was not a person's level of education but more generally their view that government was run by, and for, people in big cities, while “hardworking, real Americans” in small towns got little for their work. What these social scientists found, in other words, was that likely Trump voters subscribed to a deeply felt but rarely articulated worldview in which “people like us” are ignored by elites in charge of corporations, universities, media, and government.

Indeed, many U.S. voters were distrusting of elites and global engagement even before Donald Trump.⁵⁹ A refusal to believe climate science is the best example of this. Research from Europe also reveals a long-term decline in trust in institutions, which was exacerbated (not created) by the Global Financial Crisis. Surveys conducted over the past two decades consistently show about 50% of Europeans don't trust the media, about 50% don't trust the EU, about 75% don't trust political parties, about 60% don't trust big companies, and over 50% don't trust their national government.⁶⁰ This willingness to not believe scientists and health officials could also be seen in responses to coronavirus: Google data showed people in heavily Democratic counties moved around a lot less than people in Republican counties, even after researchers factored in a county's density, virus exposure, and age.⁶¹

Finally, we should note a third view, which says that major pillars of globalization are resilient, and that a focus on populists in a few countries should not blind to us how different the world is to a few decades ago. Zachary Karabell makes several points.⁶² First, even though global trade contracted in 2019, it did so by only a “smidgin.” U.S.–China trade is back only to the 2013 level. Second, China continues to ramp up its international investments. Through its Belt and Road Initiative, it plans \$1 trillion of infrastructure



Is global trade resilient?

New Zealand Defence Force via Getty Images

our global age—privatized industry—appears unthreatened. There are no serious global trends by countries to nationalize industries. Thus, Karabell says we can too easily mistake a global contraction for a global reversal. A survey of 25,325 people in 23 of the world's biggest countries is instructive: While substantial numbers of respondents in the United States, United Kingdom, and Germany said the costs of immigration outweigh the benefits, in 19 of 23 countries surveyed, people thought the benefits of immigration outweighed the costs or were about equal.⁶³ The same was largely true with respect to views on trade.

SUMMARY

One could fill a library covering each paragraph of this chapter, so sweeping have we needed to be. Although a “complete” telling of all historical events is not possible, this chapter has provided you with enough basic background knowledge to begin making sense of the next chapters. We have seen how the international actors and events that interest us in this book do not emerge from thin air. They emerge from, and through, history. More specifically, we have seen that our present global

age is not unique. The world witnessed unprecedented integration and connection in the 19th century. In acknowledging this first global age, we also can appreciate that its decline means the present second global age is neither inevitable nor irrevocable. Our global age is the product of decisions made by human action. Our world is not something that simply “happened” to us. Every act to make our lives more global can also be undone. Any global age can be made and unmade.

KEY TERMS

Bretton Woods System
(BWS) 41
Gold Standard 35

neoliberalism 45
Pax Britannica 34
populism 58

structuralist theory 43
superpower 39

QUESTIONS FOR REVIEW

1. Choose one international story from the front page of a major newspaper. Identify one specific event discussed in this chapter that improves our understanding of the news story.
2. How resilient and durable is the Second Global Age when compared with the First Global Age?
3. Of our four Global Forces, rank the Forces that best explain the rise of China.
4. In international studies, tensions are sometimes the unintended consequence of interactions. Can you identify one example of an unintended consequence in the chapter?
5. How persuasive is the claim by Deudney and Ikenberry that the crisis of globalization has been exaggerated (see previous section)?

LEARN MORE

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