

The Perilous Context of Trump's Policy

Written by Bülent Gökay and Vassilis K. Fouskas

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BÜLENT GÖKAY AND VASSILIS K. FOUSKAS, APR 18 2025

Over the last twenty years or so, using a wide range of empirical data and drawing from the works of Andre Gunder Frank, Peter Gowan and world system theorists, we have produced a trilogy whose key tenet is that the American system of global imperial governance established in the 1940s has, since the end of the 1960s, entered a period of protracted, yet sustained, decline (Fouskas & Gokay, 2005; Fouskas and Gokay, 2012; Fouskas & Gokay 2019). The global financial crisis of 2007-08, along with the Eurozone crisis and the health emergency of the Covid-19 pandemic, further transformed the Euro-Atlantic area into a hotbed of perpetual crisis. The United States' proxy war with Russia over Ukraine, which provisionally united Euro-Atlanticism behind the façade of an antiquated Cold War policy of NATO expansion, did little to reverse the economic decline of the USA. On the contrary, it increased the United States' deficits (domestic and international), devastated the European, especially German, industry, and widened the fissures within NATO. To put it bluntly, the factors that pulled the United States and the Western world as a whole out of the stagflation of the 1970s, chiefly under the aegis of the American-led policy of neo-liberal globalisation, have lost their propulsive force. This approach no longer works, especially for Europe and the United States.

Despite all this evidence pointing to a structural-historical decline of the Euro-Atlantic area as a whole, Editorials and prominent economists, such as Paul Krugman, castigate Trump as an "unstable individual" that knows nothing about politics and economics. President Trump's tariff offensive was called by *The Economist* as "ruination day". The sweeping tariffs imposed on the entire world, both allies and adversaries, have been regarded as economic madness. These tariffs on all imported goods represent the most significant surge in over 130 years, pushing the effective average tariff rate above 25%. The intention was to reduce or eradicate the U.S. trade deficit and compel foreign manufacturers to invest in and sell directly in the U.S. It also aims to enable domestic manufacturers to replace foreign-made goods with U.S. products — thus adhering to the mantra of "Make America Great Again" (MAGA). Many mainstream economists and commentators described this as "wildly destructive stupidity," "astonishing self-harm," a lack of "any grown-ups in Trump's economic team," or being "divorced from the reality of trade".

However, trying to understand tariffs based only on their immediate economic outcomes is misguided. Even though Trump explained the logic of the tariffs as an attempt to correct the trade imbalance between the US and the rest of the world, White House officials outlined the expected goals behind the tariffs in more detail. They described these goals as concentrating economic forces nationally to "push for structural changes to the global economy to rectify challenges that are difficult to overcome, including high tariffs globally, currency and tax policies, intellectual property theft, and even health and labour standards". Ultimately, Trump aims to reshape the global economic order by prioritising America's national interest through this wide range of tariffs. It is also worth noting that when President Richard Nixon severed the dollar's link with gold in 1971, he did so to eliminate the obstacles to the free flow of capital between countries, positioning the dollar at the centre of the global economic system, where its financial fluctuations would ultimately reach the United States through the T-Bills system and the offshore operations of Wall Street. This marked the beginning of the era of neo-liberal globalisation and financialisation. Team Trump Two (TTT) having correctly diagnosed the crisis of neoliberal globalisation, aims to reverse it by putting America's national interest first.

The USA began to experience a trade deficit with other countries in the 1980s as American manufacturing shifted its

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operations to the Global South and Canada to capitalise on cheap labour and advanced technology. A significant portion of the goods exported to the USA originates from American companies operating in Mexico, Canada, and China, among other countries. Vietnam exports millions of shoes to the United States, produced in 59 USA-owned Nike factories there. Tesla manufactures the majority of its electric cars in China. Manufacturing costs in the U.S. are significantly higher than those abroad, not only because labour is more expensive but also due to the rapid rise in productivity overseas, especially in China, thanks to new technologies. The global financial crisis of 2007-08 necessitated another wave of exodus abroad while accumulating profits in various tax havens. At the same time, to save the banking sector from collapse, the American Fed poured enormous sums of money into the financial system. In this context, the United States' public debt took an irreversible trajectory and was further augmented after the Covid-19 pandemic, as more public funds were used to support the health emergency and keep the economy afloat.

The structural economic tendency of the current world system is the relentless accumulation of capital on a global scale, regardless of how or where this accumulation occurs. Within this framework lies one of the key contradictions of the world system. While significant capital accumulation on a global scale is feasible under monopolistic conditions, there are always far more than one state competing to define these monopolistic market conditions. All quasi-monopolies tend to self-liquidate, as new producers, attracted by high profit levels, find ways to enter the market and reduce the degree of monopoly. Increased competition lowers sales prices and profit margins, thereby diminishing the potential for substantial capital accumulation. Consequently, being a hegemonic power in the world system requires achieving a quasi-monopoly on geopolitical power, enabling the state in question to impose its rules and order on the system as a whole, in ways that favour the maximization of capital accumulation for enterprises located within its borders. Attaining hegemonic power is no easy task. It has only been truly accomplished three times in the last 500 years of the modern world system: by the Dutch Republic in the mid-seventeenth century, by Great Britain in the mid-nineteenth century, and by the United States in the mid-twentieth century.

As time progresses, states strengthen their economic, political, and military status. They become more hesitant to follow the leadership of the previous hegemonic power, starting to contest the hegemon's position. This rivalry can cause disruptions in the global system or economy, leading to transformations that affect the standings of different countries, including core economies. These global changes not only impact core economies but also alter the roles of all other economies, irrespective of their size, potentially reshaping their positions within the international inter-state framework.

Since the early 1990s, there has been a significant and observable power shift toward the Global East and South, which includes China, India, Russia, Brazil, and several other emerging mid-range powers, such as Turkey and South Africa. With the rapid rise of these new powers, the relative influence of the United States and Western European economies is clearly declining. More than 50 years ago, Organski (1968) warned the United States and its Western allies that China would become the most serious threat to U.S. supremacy. Organski further suggested that an alternative power hierarchy, potentially encompassing other medium-sized regional powers, could emerge to challenge the declining dominance of the U.S. and its allies in the world system. Predicting China's remarkable rise, Organski explained the dynamics of the potential power transition from the United States as a declining hegemon to the People's Republic of China as a rising challenger in the international system. He anticipated that China's domestic progress would result in significant expansion and that its influence would ultimately exceed that of Western nations, posing a substantial challenge to their dominant position. (Organski 1968: 361–71).

Later, in 1987, at the conclusion of his widely popular study of the global system titled *The Rise and Fall of the Great Powers*, Paul Kennedy was probably the first observer to measure the actual beginnings of this global shift: "The task facing American statesmen over the next decades ... is to recognize that broad trends are under way, and that there is a need to 'manage' affairs so that the relative erosion of the United States' position takes place slowly and smoothly" (Kennedy 1987: 534). Kennedy documented the decline of the US as a global power by comparing macro-economic indicators, such as industrialisation levels and real GDP growth, with those of Europe, Russia, and Japan. His findings revealed a shift in global power dynamics over the last 50 years, driven by fundamental structural changes in financial and trading systems. Many other authors have explored the evolving balance of global power architecture from a comparative perspective.

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A year after the 2008 global financial crisis, Kennedy (2009) characterised the global shift's current level as follows:

If one believes in the economists' theory of 'convergence' – that is, the coming closer together of the product and income of companies, regions and countries – then the conclusion is clear: as China, India, South Korea, Brazil, Mexico and Indonesia all 'catch up,' the American share of things will relatively shrink. Sooner or later – and this debate really is about 'sooner' or 'later,' not about 'if' – we are going to witness a major shift in the global balances of power.

Global hegemony is a self-limiting, self-defeating, and temporary condition in international affairs. This is because hegemonic power carries the responsibility of organising the international system, providing public goods, and intervening when necessary- all of which increase pressures and costs for the hegemon. Eventually, the hegemon reaches a point where it becomes over-committed and cannot sustain the cost of maintaining the system any longer. In this situation, the hegemon prioritises its domestic responsibilities over international obligations or struggles to fulfil global duties. Ultimately, this leads to a decline and eventual collapse of hegemony, resulting in chaotic circumstances that are not always caused by agency. Trump's drastic tariff policy did not create the current situation; the decline of the hegemon has been structurally ongoing for decades, although Trump's policy may have exacerbated it. When the hegemony of a major power or global superpower is in decline, it affects the entire world order and leads to instability. This not only affects the realm of economic power; such shifts in economic power will "have a decisive impact on the military and territorial order" (Kennedy 1987: xxii).

By 2020, the United States National Intelligence Council (NIC) predicted that China would become an economic powerhouse, competing with the United States for global supremacy. *Mapping the Global Future: Report of the National Intelligence Council's 2020 Project*, one of the Council's key reports in December 2004 on the status of the world, stated that China's economic growth, expanding military capabilities, and large population would guarantee its success. "In the same way that commentators refer to the 1900s as the 'American Century', the 21st century may be seen as the time when ... China ... comes into its own", the Council wrote. The report commented that "the world of 2020 will differ markedly from the world of 2004, and in the intervening years the United States will face major international challenges that differ significantly from those we face today" (National Intelligence Council 2004). China is completing a historical cycle by becoming the biggest manufacturing economy again, "just as it was before the voyages of Christopher Columbus and Vasco da Gama. The world will have come full circle" (Allen 2011: 145). Team Trump Two seeks to reverse this.

TTT policies have overturned America's bi-partisan consensus in economic and security affairs that have prevailed since WWII. They signify the true conclusion of the Cold War and seek to restore America's waning influence in international affairs. TTT seeks a return to the Monroe Doctrine. In his address to Congress on December 2, 1823, President James Monroe outlined the U.S. stance on the emerging political landscape in the Americas and Europe's involvement in the Western Hemisphere. Monroe's administration warned imperial European powers against meddling in the affairs of newly independent Latin American nations or potential U.S. territories. The intention was clear: the U.S. wanted European colonists to avoid interfering in Latin America and to allow the Western Hemisphere to remain under U.S. influence.

TTT seeks to transfer responsibility away from Europe concerning Russia, while strengthening Israel's ability to navigate the Middle East and address Iran. The inclusion of Russia in the architecture of European security, which entails an end to the demonisation of Russia as the West's quasi-enemy, constitutes a major break with the Cold War order. Presently, only European powers appear to endorse this tenet of the Cold War. This new security strategy aims to enable the US to focus entirely on enhancing its efforts to compete against, and undermine the economic rise of, China. Identified as the primary "national security" challenge, China is regarded by the entire US political landscape as a significant obstacle to American global dominance due to its rapid advancements in technology. The primary objective of the tariff measures is not economic but geopolitical: to unite other nation-states for an economic and military campaign against China.

Unfortunately for Trump and his team, it may already be too late to impede China's rise, or even delay its path to global hegemony. Neoliberal globalisation has intensified the integration of production through hybrid production

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networks and trade relations, rendering the traditional system of tariffs inadequate to deter ambitious hegemonic projects. Thus, American multinationals embedded in various jurisdictions opposed Trump's tariff policy, as did the high-tech giants of Wall Street, which had supported his election due to his low taxation policy and deregulation.

Both the IMF and the World Bank now evaluate China as the world's largest economy according to purchasing power parity (PPP), a metric that adjusts countries' GDPs based on price differences. (World Bank 2020b). James Kyngé writes, in the *Financial Times*, "Chinese companies are widely recognized as world leaders, or as being at the cutting edge, in 5G telecoms equipment, high-speed rail, high-voltage transmission lines, renewables, new energy vehicles, digital payments, areas of artificial intelligence and other fields" (Kyngé 2020).

Macro Polo's *Global AI Talent Tracker* identifies China as the country of origin for 29 per cent of the world's top-tier AI researchers, as compared to 20 per cent from the US. It won't be long before China's economy surpasses the United States on other measures too. The Centre for Economics and Business Research (CEBR) predicts it will happen in 2029 (CEBR 2015). If it does, then all this may dramatically change the context for addressing global economic challenges. Trump may follow the advice of the American Compass, a conservative think-tank, whose researchers argue that tariffs will not work unless accompanied by capital controls, i.e., restrictions on the flow of money. (American Compass | Charting the Conservative Course). Paradoxically, articles and op-eds on this website chart a course for the American economy that closely aligns with post-Keynesian economists' views, which suggest that a revival of the economy can rely on capital controls and the reinvestment of financial profits into the real economic sector, particularly manufacturing.

Trump fully understands the consequences of his policies. America's "aggressive unilateralism", which started in the 1980s with Ronald Reagan, has now peaked. Trump isn't an outlier; he embodies the genuine interests of a waning superpower, whose policies mirror the conflicting and shifting global reality he navigates. Trump's 2nd administration is poised to instigate a major crisis and widespread devastation worldwide to prevent its inevitable downfall. Their rise to power and the ensuing actions merely reflect the profound structural and historical changes occurring in the international political economy and the global power architecture.

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PPP-based-table.