Article

Globalized Green Lanternism

Henry Farrell
Political Science and International Affairs, George Washington University

American political commentators have frequently called for the U.S. president to take effective action to improve world economic growth. Such calls are a form of what Matthew Yglesias has dubbed "Green Lanternism"—the unspoken theory that the U.S. president's ability to affect outcomes is primarily affected by his willpower. In this article, I examine the opposite—and more plausible causal relationship—that the power of the U.S. president is shaped by the underlying secular determinant of world economic growth. I go on to examine how we might expect U.S. power and interests in building up a multilateral trading order could largely wither away under conditions of enduring weak economic growth, which some economists have argued is in fact the most plausible long-run growth path for the world economy.

The journal *International Economy* asks a number of economic experts to provide advice to the next U.S. president in its Fall 2015 issue (Advice for the Next American President 2015). Specifically, it proposes that "the world's economic and financial systems are under enormous pressure. What are the most critical global and domestic financial and economic issues the next president must address to help bring stability to the global system?"

Such formulations are very common in rhetoric about international economic policy. They reflect a widely held set of assumptions among American policy makers—that the United States is the only state which has the interest and the ability to solve global economic problems. Versions of these claims appear in national strategy documents, politicians' speeches, op-eds, think tank reports, and articles published in the specialist magazines through which U.S. foreign policy makers and economic elites talk to each other (Zenko 2014). When these presuppositions are challenged, it is usually by realists or neo-isolationists, who question whether it is in the U.S. self-interest to be so actively involved in managing the global economy (Gholz, Press and Sapolsky 1997).

A second tacit assumption lurks behind calls for the U.S. president to consider how best America can stabilize the global system: that the United States not only *wants* to help stabilize the international economy but that it *can* do so. The dominant mode of rhetoric assumes that the key causal relationship runs from U.S. influence to possible solutions for the problems plaguing the global economy. These tropes usually purloin arguments without acknowledgment from some version of hegemonic stability theory, an account of political economy that has not enjoyed enormous academic esteem in recent decades. Even pessimists may assume that if U.S. hegemony

Send correspondence to Henry Farrell, Department of Political Science/Elliott School of International Affairs, George Washington University, E-mail: henry.farrell@gmail.com.

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is weakening, some other power (most likely China; less plausibly a congeries of other states) might possibly step up in America's stead.

However, there is another way to think about the evidence. What if the key causal relationship does not run from U.S. hegemonic influence to global economic problems, but the other way around? What if global economic problems are imposing ever greater limits on the influence of the United States, and indeed any other putative hegemon that might replace it?

Here, the diagnosis might be as follows—that the great age of economic cooperation of the post–World War II period is the product of a historically unique conjuncture of high growth rates, and of available forms of cooperation that offered readily achievable rewards. We have no warrant to believe that these will continue forever; indeed they might already be abating. Global economic growth may be sputtering as it reaches hard limits. It is not possible to forever extend free markets into new countries without cementing the appropriate national political institutions to help them run properly and ensure that their benefits are shared in a politically sustainable fashion.

Furthermore, there is some reason from the work of Thomas Piketty and others to think that the extraordinary growth rates of recent decades are a historical aberration from earlier times, and may not continue indefinitely into the future. Finally, the low hanging fruit of straightforward tariff reductions have mostly already been plucked. Future economic agreements will have to settle instead for more dubious gleanings from the higher and more inaccessible branches.

In such a world, it is unlikely that the incoming U.S. president can do very much to solve global problems. Instead, his or her main task might be to adjust as best as possible to international economic difficulties. Aspiring hegemons will find it far easier to increase economic cooperation and secure global stability in a world where there is reasonable economic growth and cooperation than in a world of stagnant growth and few distributional benefits. We may be moving from the former world to the latter.

This would have implications for our understanding both of the U.S. presidency's international economic role, and of global economic problems. Consider the powers of the U.S. presidency. The political commentator Matthew Yglesias has argued that much of the rhetoric about U.S. presidents imagines that they are like comic book heroes with nearly unlimited powers (Yglesias 2006). While Yglesias focused on the remarkable claims that neoconservatives made for U.S. military power, his critique travels to liberal internationalists too, who sometimes make similarly unlikely arguments about the ability of the United States to solve global economic problems and shape global growth. Contrary both to neoconservatives and overoptimistic liberal internationalists, the international power of the U.S. president is already quite weak. He is the president of the United States, not the world, and his influence on other countries depends on its limited ability to bully, cajole, and persuade. Both U.S. global power and U.S. global interest are likely to be much weaker again in a world of low economic growth.

Yglesias' diagnosis therefore also applies to what might be dubbed "Globalized Green Lanternism"—sententious demands that the U.S. president *do something* about this or that major global economic problem. Such demands are already unrealistic, and may become ever more ridiculous as it becomes clear that the global problems are shaping the power of the presidency rather than the power of the presidency reshaping the problems.

To be clear—there is no unequivocal evidence that this is the world we are about to enter (Drezner 2016). The road to predictive international relations is covered with the rotting corpses of over-confident pronouncements. Perhaps the current slowdown in the world economy is temporary in nature, and should not be interpreted as evidence of a secular change. Yet even if we are not entering a world of global slowdown, it may still be a useful world to contemplate. It provides a counterfactual that highlights the unstated assumptions underlying many core beliefs of the U.S. foreign policy elite, and a way of thinking about what the consequences might be if these blithe assumptions turn out to be dramatically wrong.

The politics of global slowdown

Eight years after the financial crisis, the world economy is stagnating. China, one of the engines of apparent prosperity that continued to turn over during the crisis, may be stuttering, producing lower growth than it has in a quarter century. It is not clear whether this is the product of secular slowdown (developing states cannot keep up a rapid growth trajectory forever), semi-intractable internal problems (the continued dominance of state owned enterprises tied into practices of corrupt exchange and the problematic role of local government in economic development), temporary downturn, weakness in demand markets, or something else entirely. The prosperous states of the United States and Western Europe continue to be economically fragile, relying on continued monetary stimulus and unprecedentedly low interest rates to keep their economies performing. Other parts of the world are growing, but not nearly at the level that would allow a return to the exuberance to which the world has become accustomed.

Economists, unsurprisingly, disagree about the reasons for slow growth or "secular stagnation." Some, such as Robert Gordon, argue that it results from a kind of exhaustion of innovation—we have effectively invented and taken full advantage of all the growth-enhancing technologies we are likely to see (Gordon 2016). Economic historians of innovation, such as Joel Mokyr, disagree (Mokyr 2014), while Paul Romer is enthusiastic about the prospects for continued innovation and growth, provided that the institutions of scientific progress are continually improved (Romer 2015). Others see this as a product of continuing inadequacies of demand, implying the need for a Keynesian solution. Others still point to demographic considerations, in particular aging populations in the Western democracies, as a key source of lower growth.

Many of these arguments rest on educated guesses. Scientific progress can be seen as a process of discovery, in which better institutions allow us more easily to search across a rugged landscape of discoveries that is *ex ante* unobservable (Allen, Farrell and Shalizi n.d.). If there are valuable discoveries to be made, well-crafted institutions may find them. Yet even the very best institutions of exploration cannot find discoveries that are not there. Since we are not able to discern more than the roughest contours of the landscape that we are trying to explore, we cannot definitively say in advance whether future scientific discoveries are likely to burgeon or wither up; all we can do is design the strongest HF institutions we can and hope for the best.

Behind these economic debates lurks the specter of long-term progress. The modern era has been one of unprecedented economic growth. As Thomas Piketty (2014) notes, the long-term economic growth rate from 0 A.D. to 1700 was approximately 0.1% per annum. The period since then has been one of extraordinarily rapid growth rates in historical terms. Yet our expectations about the rate of growth have been bolstered by our very recent history. Piketty calculates that the average growth rate between 1700 and 2012 is approximately 1.6%. It is only since 1913 that we have seen the average 3% growth rate that Western elites have come to take for granted.

This leads to a disquieting question. What if the "new normal" of growth after the financial crisis is instead an "old normal" that we are returning to after a post–World War II boom? As Piketty points out, a long-term growth rate of 1% is nothing to sneeze at in historical context, and may result in very substantial changes over the long term. However, politicians and international policy makers are trapped in the immediate history, dealing with a multiplicity of immediate crises, so that they are usually incapable of taking the longer perspective (Pierson 2000). Voters have similarly short attention spans, and liable to punish politicians whom they consider guilty of immediate failures, even if these politicians' actions conduct toward the gradual accumulation of the benefits of growth over time.

We therefore do not necessarily have to return to the drudge, squalor, and stagnation of the medieval period to fundamentally reshape politics. All that is required is a return to the pattern of growth that we saw in the late nineteenth and early twentieth centuries. Continued growth between 1% and 2% would still have resounding benefits over the very long term. In the short term, however, it would have politically dramatic consequences. It would lead to considerable domestic upheavals within democracies, where social bargains have been cemented on the back of continued economic growth. Questions of distribution, which had been concealed by the perception that everyone was benefitting, would suddenly become more salient. It would arguably have an even more profound impact in countries such as China, where the acquiescence of the middle class to Communist party rule goes hand in hand with the belief that the Communist party has secured Chinese prosperity. Even if Chinese growth is unlikely to fall quite so much in the short term (China is still playing catch-up), substantially lower growth rates are likely to have a corresponding impact on the political stability of China's regime.

Green Lanternism in the globalized economy

Lower growth rates may also have implications for U.S. global power, which are largely invisible to U.S. foreign policy elites. Elite understanding of the politics of growth tends toward a muddled combination of realism and a simplified version of Charles Kindlerberger's ideas about hegemonic stability, stripped of context and turned into a kind of folk religion. This realism involves a certain degree of schadenfreude at the prospects of lower growth for China, mixed with alarm at the implications for petroleum producing states that the United States relies upon. Kindlerberger's original arguments focused on situations of sudden economic crisis, where states knew (or should know) what was in their best interest, but failed to behave in this interest because of a mixture of short sightedness and lack of leadership. The strong implication was that states had a collective interest in cooperating, but might be vulnerable to individual backsliding, whether because of selfishness (wishing to free ride on the efforts of others) or stupidity. Hence, they were inclined in crisis to adapt beggar-thy-neighbor policies such as tariffs, not recognizing that a world where everyone behaves in this way is a world where everyone is worse off.

"Folk-Kindlebergerianism" has mutated into a simplistic account of the United States as the "indispensable nation," whose resources are devoted to solving collective global problems to the benefit of all (while quietly skimming off much of the cream for itself). On the one hand, it has generalized Kindlerberger's lessons beyond economic crises to a much more general set of collective problems. On the other, it has continued to assume that everyone—whether hegemon or follower—will be substantially better off so long as the hegemon gets everyone to cooperate. In such a world, the selfish interests of the U.S. hegemon and the need for global stability are partially coincidental. Both U.S. power and economic prosperity depend on global growth, while global growth depends on U.S. power and economic prosperity. Hence, when tackling global economic problems, the United States will have the right incentives to ensure that everyone continues to cooperate.

However, if we are nearing the end of the era in which increased economic exchange will lead to increased economic growth, the natural optimism of folk-Kindlebergerians is misplaced. A world in which there is only very slow long-run economic growth will be a world in which there is no happy coincidence between the hegemon's self-interest and world prosperity. In such a world, the benefits of economic cooperation will often be scanty—even if everyone cooperates as they should—because there are few efficiencies to be achieved through cooperation. The extraordinary bounties to increased economic exchange that we have seen since the World War II (and that serve as a strong inducement to collective cooperation) will be exhausted.

This will have implications for both the self-interest of the hegemon and other states. The hegemon will get less benefit from behaving cooperatively, limiting its interest in expending resources to bring other states along. Other states will benefit less from cooperation too, limiting the hegemon's power to get everyone to work together for the general benefit.

Drezner (2016) highlights some of the domestic political implications of continued low growth. Yet there are likely to be important international implications too, some of which flow from domestic politics. International agreements often rest on domestic bargains between various interests. Such deals are far easier to achieve when national economies are growing quickly, and are visibly likely to grow in the future, than when they are moribund. It is normally easier to divide anticipated future spoils than to give up existing benefits. Hence, a world of low economic growth will be one in which it is harder for politicians to forge the necessary domestic bargains to ensure international cooperation.

This has specific implications for the United States, to the extent that the hegemonic power is usually expected to bear more of the burden in return for more of the rewards. It will be more difficult for the hegemon to marshal domestic support for expensive foreign policy even if it wants to do so. Even if the domestic benefits of U.S. hegemony are real, they are difficult to explain to voters, especially when these voters face stagnating living standards. For example, when ordinary U.S. voters are presented with new international agreements, they are less likely to want to make the difficult trade-offs that might be required to make these agreements viable. The individual benefits of such agreements have always been difficult to observe—but in a context of general growth, it is likely easier to persuade voters that they will at least do no harm. In a world of apparent stagnant growth, the risk is far less likely to be palatable. Those who benefit will likely not benefit very much, while the harm will be more visible to those who are hurt.

Very similar distributional games play out on the global stage. It is easier for states to split the proceeds of anticipated future gains than to redivide their present allocations. States will, furthermore, be more likely to make concessions on their present way of doing things when they anticipate significant future benefits. In a world of low growth, states will be far less likely to make costly concessions. All of this is hard for policy makers to see, because we have become acclimatized to high growth over the last several decades, and because so much of the action has been in trade deals, where there are highly plausible static and dynamic benefits to cutting high tariffs and increasing trade flows. This has facilitated an enormous amount of international economic cooperation. If growth continues to stagnate, it will be far more difficult to continue to expand cooperation, and it may become increasingly difficult to maintain its present levels.

In such a world, the hegemon will be more interested in distributional gains (increasing the size of its slice of the pie) than in scanty and hard-to-achieve efficiency gains (that would increase the overall size of the pie). The same will be true of the states it looks to influence. Under folk-Kindleberger logic, the power of the hegemon depends on the willingness of other states to cooperate, once they have had their brows beaten sufficiently. Yet in a world of low economic growth, other states may not have any great collective or individual interest in cooperating, since the benefits of cooperation are likely to be relatively slight.

This would be a world in which the hegemonic state will be less able to solve global problems and less interested in so doing, so that such problems are instead likely to get worse over time. In this world, crisis will cease to be an eventuality to be avoided and become an opportunity to be exploited.

Low growth and the trade agenda

One cogent example of how this logic may play out is the international trade agenda. This is plausible, because the trade agenda has seemingly hit all of its easy targets, at least among advanced industrialized democracies. The sectors that still have high tariff barriers are those sectors where there are politically well-entrenched domestic producers in one or more major nations, capable and willing to mobilize to veto agreements that might limit their profits. In other areas, tariffs have been cut drastically, so that they are no longer economically important.

Future trade agreements are already more likely to be difficult, since they involve nontariff barriers. These barriers are complicated and involve regulations that often are not simply aimed, if they are aimed at all, at protecting domestic industries, but instead may seek to achieve a variety of legitimate public policy goals. Hence, they contrast with tariff barriers, which are typically both visible and relatively straightforward. These obstacles are likely to be far worse in a world of low economic growth, making it far more difficult to create trade agreements and causing it to be far less likely that they will in fact promote trade when they are brought through.

First, trade agreements will possibly be focused on narrow benefits accruing to specific industries, rather than to the public as a whole. In a world of low economic growth, it is more probable that businesses will grow by reshaping existing markets than by discovering and developing new markets. Such businesses may attempt to use international negotiations to bring through regulatory changes that protect their own positions.

This has consequences for "fast track authority" in the United States. This authority provides the U.S. administration with the ability to present Congress with a "take it or leave it" deal, which allows Congress a relatively short period of time to make a decision. This ability was introduced in the United States because of the perception that without it, trade deals would not survive being subject to a million committee amendments, each intended to protect a particular interest. Yet in a world of low economic growth, fast track authority is less likely to offer general benefits, and may be used by specific favored industries for their particular selfish purposes.

Fast track authority provides a tool for these interests to demand their own preferred regulatory outcomes, circumventing many of the standard veto points of the Congressional system. Hence, there will be increased opportunity for these interests to use trade authority to push for regulatory agreements that advantage them and disadvantage their potential challengers. What used to be a system that, in theory, aimed to support the general economic good of the United States, can also be used to achieve narrow benefits. This risk is increased when these benefits involve complex regulations that are difficult for Congress or the public to understand. For example, the focus on so-called "data exclusivity" in the recent TPP negotiations directly advantaged U.S. drug companies, arguably at the expense of both U.S. consumers and other countries.

Second, future trade deals will be less likely to pass. If trade deals have marginal visible benefits for the general public, they may provoke citizens and consumers into pushing back. As already discussed, people are far more likely to be suspicious of international deals in a stagnant economy than in a growing one. This may mean that valuable trade deals (which would genuinely benefit the majority of citizens across countries) will be harder to strike. It may also help counterbalance the increasing domination of narrow interests over the details of trade deals, by making trade negotiations a less attractive means of remaking regulation.

Finally, other states will also be less likely to be willing to enter into trade agreements. Those that are already reasonably well-integrated into the international trade system will face similar issues to the United States—the benefits of increased regulatory harmonization will be uncertain, while the costs will be more visible. Sluggish growth will make their nations more skeptical. This is likely to have important consequences for the political and economic power of the United States. The United States has used trade deals as a means of cementing economic relations and political influence, offering increased trade in return for closer political ties and specific benefits for U.S. industries (such as pharmaceuticals and media production). If trade deals are less attractive to other countries, the power of the United States to influence international economic outcomes will be significantly weakened.

The implications of these changes would include the increased decoupling of trade and regulatory policy. There would likely be fewer efforts toward economic integration, with doubtful economic benefits from increased efficiency. There would be a higher chance that regulations would be used as weapons to achieve economic and political goals in order to advantage the regulating state. Where world economic growth is low, and where there is little ability to boost it through policy, states are more likely to be interested in distributional gains than collective benefits. Regulations provide one way of achieving distributional gains.

Moving on from globalized Green Lanternism

Matthew Yglesias's original "Green Lantern theory" was aimed at Bush era neoconservatives who enormously overestimated the international military power of the United States. They saw the world, in effect, as a set of ever-ramifying problems that the United States had to solve. In this worldview, both U.S. successes and U.S. failures reinforced the original idea. When U.S. military intervention worked, it demonstrated the merit of the approach. When it failed, it generated new problems that in turn created new justifications for intervening. Green Lanternism was the policy equivalent of a perpetual motion machine, generating the energy and the justifications required to keep itself going.

Current liberal rationalizations for the U.S. role in the global economy have a similar flavor. They often tend toward a similar rhetoric, in which the stability of the world economic system, and international economic growth are problems that can be solved by the U.S. president, as long as he or she has sufficient gumption and willpower. It may be, of course, that much of this rhetoric is pure guff, not believed by those who speak it or hear it. Yet even patently insincere rhetoric can have important consequences, if enough people insist upon it. It influences one toward thinking about the world in certain ways, while avoiding other problems that comport poorly with the rhetorical justifications that are taken for granted by most of the community.

Instead of assuming that the U.S. president has extraordinary power to shape world economic stability and economic growth, we should start from the opposite assumption: that the world growth rate and economic stability shapes the power of the U.S. president. This assumption is far more plausible, and illustrates possibilities that are invisible to a more optimistic and self-flattering perspective. In particular, it allows us to ask questions about what will happen to the U.S. power to solve problems should the current pattern of weak economic growth persist. It is by no means certain that this rate of growth *will* persist—but it is certainly possible, and will have important consequences for U.S. influence and for global economic cooperation. By moving away from globalized Green Lanternism, we can better understand the range of possible futures that confront America and the world.

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