Introductory Remarks
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After one very exciting first year of the second Trump presidency, I'm sure all here agree that we are living in the best economy in the entire history of the cosmos, not only on this planet but on all the planets of our solar system and all the exoplanets of every other solar system. No? I'm disappointed. The beatings will continue until morale improves.

To frame a session as a scorecard on Trump's presidency – or any presidency – is a form of scholarly click-bait. Economies do not turn on political personalities, not even those as colorful, erratic and occasionally vicious as Donald Trump. I am sure that my distinguished co-panelists – having achieved one goal by luring you into the room – will direct our attention at least as much to the deeper circumstances that face the country and the administration – recognizing that Trump and his minions may themselves not have fully grasped, at least initially, what they and we are dealing with.

In a nutshell – and it is hard to stuff all this into a nutshell – the past decades have seen the end of European empires, the fall of the USSR and the recovery of Russia, the rise of China. The world's five largest economies in PPP order according to the IMF are China, the US, India, Russia and Japan. No European country makes the list, although the European Union if taken as a whole would. After having globalized in the second half of the twentieth century, the world's energy map is largely regionalized once again: the Western hemisphere in one group, Eurasia in another, the Middle East and East Asia in a third. The information-technology map is trans-Pacific. Military technologies have evolved to give overwhelming advantage to the defense – to drones and missiles over tanks and aircraft carriers and bases. If you must fight at all, better do it on or very near your home turf.

For these reasons, the Eurocentric revivalism of the previous administration – our "traditional alliances" if you will – is a dead letter. World power has therefore also shifted. Russia will prevail in Ukraine, eventually achieving all of its military objectives. China has prevailed in the trade battles, and the material conditions ensure that it will continue to prevail. The US energy frontiers are (a) Texas, (b) Canada and (c) Venezuela – not the Persian Gulf any longer as the new National Security Strategy states clearly. These are the realities to which different parts of the Trump administration are adjusting.

They are realities to which any administration would have to adjust. They are not within American power to change. They supersede the ideological framing under which US governments have functioned since the 1990s – of a free-market world order – "globalization" led by America and NATO. And just in time; by clinging to that framing well past its sell-by date, the previous administration brought us to the brink of world war. Bad as things are, nothing would be worse than allowing those people to continue or allowing them back in – though at this point the chances are small. The ideological incoherence, blarney and bluster and, in some areas, brutality of the present administration stem from the fact that there is no politically happy way to present the present realities to the public. That doesn't make them less real.

This administration uses tariffs mainly as a political tool for a variety of goals; "balancing trade" is among them for public relations purposes rather than as a serious policy. The main economic consequence will be to attract some European industry to American shores. After several aggressive

starts, the tariff truce with China keeps rare earths and gallium coming in; it will be reviewed and presumably renewed next year as there is no alternative available and will not be, so Chinese terms on essential matters will have to be respected. The posturing toward Canada, threats to Mexico and aggression against Venezuela speak for themselves; bullying and violence are mainly aimed at the close and the weak. Russia's victories will be acknowledged and – for the most part, when the dust settles – on the present course, that country will be left alone, at least by the United States, if not by the British and Germans. Politically and economically – not to mention "culturally" with the obvious overtones of that word – to this administration Europe is a lost cause.

Within these realities, the US economy is a pastiche of three dynamic elements – an info-tech sector driven forward by a massive building boom in AI data centers, an energy sector sustained by the effervescence of the Permian Basin, and a living standard supported by the dollar and the reserve-asset function of US Treasury bonds. These are great advantages compared to Europe, which lacks a viable energy base or much of a technology sector, and is doing its best to destroy the second-tier reserve-asset status of the euro, over the sensible objections of M. De Wever and Mme. Lagarde. These US advantages may last through Trump's term – maybe not – but they do not seem reliable for the long run.

For the long run, if anyone is interested in thinking past the next two elections, there are several imperatives for a better policy and prospect. The first is to redirect the trillion dollars we now spend superfluously on the military (and its industrial base) toward civilian infrastructure, human development, and sustainable -- I don't mean "green" -- energy. The second is to reconstruct a public sector capable of challenging, regulating, and eventually replacing the present controlling role of global finance. Demilitarization and definancialization should be the watchwords of a new political economy. A serviceable defense can be built on a much smaller resource base; the financial sector we have is a predator on the larger economy and a perversion of public purpose.

As for industry, I do not think America can rely on second-tier European companies seeking refuge from tariffs and their own intractable problems. Nor can we de-globalize in most industries or their critical components. The reality of the semiconductor supply chain is that without global specialization and division of labor, the industry as we know it will cease to exist. The reality of alt-energy, electric vehicles, commercial aviation and much else is similar – the larger the scale, the lower the variable costs and the better the result. If you want to see what happens when large-scale enterprises are disrupted, revisit the collapse of the Soviet Union or that of Yugoslavia for a refresher course.

Sooner or later, therefore, we Americans will have to learn to live with the Chinese – as partners, even as role models – and take what benefits we can from their accomplishments over the past fifty years. When you look at them objectively – the creation of the world's most modern cities and transportation networks, a healthy, technically-competent population four times the size of our own, the elimination of deep poverty, plus development projects that dwarf anything ever attempted by the West and an almost-complete absence of military involvement outside China's own borders – it's not a bad record.

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