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OPINION

When Borders Close

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The age of globalization generated great prosperity. As the flow of goods, money and people across borders surged, millions benefited. But the elite gained the most. And as inequality rose, it stirred pockets of fierce resentment among those left behind. When the great shock came, the discontented turned to nationalist firebrands, who promised to impose controls on free trade, global banks and immigrants. Globalization stalled. A new age of deglobalization hit full stride.

That great shock came in 1914, with the outbreak of World War I, and it ended an extraordinary four-decade period of rising migration and trade. But that era provides clear parallels to the globalization boom that gained momentum in the 1980s and stalled during the financial crisis of 2008. Today globalization is once again in retreat. Populists are on the march, as evidenced by Donald J. Trump's stunning victory last week. They have already won control of the government in Britain and gained momentum in Italy, France and Germany.

It is not clear how Mr. Trump, who has called for protectionist measures and tighter borders, will govern. But it is clear that the open world order is breaking apart. The new age of deglobalization is on, and it is likely to last.

National economies move from boom to bust in cycles that last a few years, but globalization is different. At least since Genghis Khan secured travel along the Silk Road, the flow of goods, money and people across borders has advanced and retreated in decades-long waves. The retreat that began in 1914 continued for three decades, weakening the world economy and feeding the resentments that erupted into World War II. The retreat that began in 2008 is

still gaining strength, and it is time to recognize the likely fallout, which is slower growth, higher inflation and rising conflict.

The parallels between the two booms are striking. The recent advance of globalization was driven by changing technology — including container ships and the internet — and new rules that opened the world's most populous country, China, to commerce. Before 1914, steamships and the "Victorian internet," the telegraph, as well as novel rules that opened the 19th century's largest economy, Britain, to imports, drove globalization. By the eve of World War I, the world was in some ways as connected as now. Measured as a share of the population, immigration to the United States was three times greater in 1914 than at any time since.

The social tensions generated by rapid globalization in the early 20th century also ring familiar. The share of income going to the richest 1 percent of Americans rose steadily from 1870 to a peak of nearly 20 percent in the late 1920s, as global commerce created a "gilded age" plutocracy. Popular resentment spread, and politicians began working to seal the borders, particularly after 1929, when the economy crashed into the Great Depression.

America turned inward. Congress passed the sweeping Smoot-Hawley Tariff Act in 1930, prompting a global trade war. Measured as a share of the world economy, trade peaked at 30 percent in 1914, and fell to a low of 10 percent in 1933. That year, Congress passed the Glass-Steagall Act, which barred big banks from the investment business. The movement of money from country to country slowed to a trickle in the 1930s and 1940s.

The United States also virtually shut down immigration in the early 1930s, when the influx of people declined to a few tens of thousands, down from more than a million annually before 1914. As many as one million Mexicans went home in this period, with 80,000 deported by the federal authorities and many more scared off.

Closing the borders reduced competition and commerce, prolonging the Depression. In the United States, populists were fringe figures promising to "share the wealth" and chanting, "America First." But in Europe and Asia, they took power as the militarist autocracies that started World War II.

After the Axis powers were defeated and the victorious democracies began rebuilding an open world order, it took decades for the flow of trade, money and people to regain momentum. Global trade did not recover to its 1914 peak until the 1970s, and capital mobility — the scale and ease of money flows — did not recover until the 1990s. Once these flows gained speed, however, they thundered along right up to the financial crisis.

Today, 2008 looks to be as clear a turning point as 1914. With global demand weak, and many nations erecting import barriers, trade is slumping. Measured as a share of global gross domestic product, trade doubled from 30 percent in 1973 to a high of 60 percent in 2008. But it faltered during the crisis and has since dropped to 55 percent.

The flow of capital — mainly bank loans — is retreating even faster. Frozen by the financial crisis and squeezed afterward by new regulations, capital flows have since slumped to just under 2 percent of G.D.P. from a peak of 16 percent in 2007.

The flow of people is slowing, too. Despite the flood of refugees into Europe, net migration from poor to rich countries decreased to 12 million between 2011 and 2015, down by four million from the previous five years. Between 2009 and 2014, the number of Mexicans leaving the United States outnumbered new arrivals by 140,000, and that was before Mr. Trump's first anti-Mexican tirades.

In an echo of the 1930s, the slowing of trade, global investment and migration are further weakening the global economy. There are many reasons to expect that this new age of deglobalization will last, as the postwar order is under assault from both popular autocrats in emerging powers like Russia and China, and populist candidates in Western democracies.

The recent trade boom was fueled by relatively simple deals that cut import tariffs. But trade deals have become more complex, and now take much longer to complete. At the same time, the world's major economies have imposed hundreds of protectionist measures since 2008, led by India, Russia, China and the United States. And once such protectionist walls spring up around one industry, they tend to grow and spread to other industries.

Changes in China's economy will further slow trade. When China opened up in the 1980s, its vast population turbocharged global trade almost overnight. Nations all over the world prospered by supplying raw materials and parts to plants in China, and later in countries like Poland and Mexico. Before 2008, much of the global trade boom involved intermediate goods traveling within these supply chains. But this trend has reversed. Supply chains are contracting, particularly as China moves to make its economy less dependent on trade, and its factories learn to make more parts at home.

Recently, the International Monetary Fund and other institutional bulwarks of the postwar order have mounted a defense of globalization. They point to research blaming automation and other forces unrelated to globalization for middle-class job losses. But the technocrats are missing the political reality: The tide has turned against immigrants and trade. It is time to recognize the implications of deglobalization.

During and between the two world wars, the anti-global agenda reduced competition and worsened weak economic growth with rising inflation. Today, populists are again calling for protecting domestic industry and sharing wealth, which could have the same impact.

Redistributing wealth within nations could have the salutary effect of narrowing the income gap between individuals. But more protection could widen the wealth gap between nations. Since World War II, few nations have escaped poverty without a huge lift from exports, and rising trade barriers will make it harder for developing countries to do that. The economic advantage is shifting from export-driven economies, such as South Korea and Taiwan, to those that rely on large domestic markets, such as India and Indonesia.

More worrisome is the geopolitical fallout from closing borders. As the open global order has faltered since 2008, the number of democracies has stagnated. More than 100 of the countries tracked by Freedom House have shown a decline in freedom since then (some 60 saw gains), as democracies have grown more xenophobic and autocracies more repressive. At a time when approval ratings are plunging for political leaders worldwide, a combative few are maintaining their popularity by playing the nationalism card, including in Russia and China.

These governments are increasingly willing to close borders and to project military power. Though hardly global threats on a par with the Axis powers before World War II, they pose challenges on three main fronts, with China pushing into the South China Sea, Russia testing Europe's borders and Iran's proxies spreading across the "Shiite crescent" in the Middle East. Regions facing these newly adventurous powers are racked with tension, made worse by perceptions that the United States has been in retreat since 2008. While global military spending was flat worldwide for much of the last decade, it is up 75 percent in East Asia, 90 percent in Eastern Europe and 97 percent in Saudi Arabia.

World War I shattered the hope that an increasingly interconnected world would render armed conflict between nations obsolete. Similar hopes surfaced in recent decades. But the connections are fraying, tensions are spreading and my-nation-first populism is gaining, including in the United States. During the campaign, Mr. Trump called for toughening border security, renegotiating or blocking major trade deals, and cutting support for allies the United States has backed since 1945.

Mr. Trump may not follow through on all these proposals, but his direction is clear. The global movement of goods, money and people is likely to continue slowing. The lesson of the past is that just as night follows day, deglobalization follows globalization — and can last just as long.