

When Protectionism Makes Genuine Sense - Even if it Stops Some from Making Money

Adam Tugwell | 10 October 2026



The debate over tariffs on Chinese electric vehicles has been bubbling across social media, and what's striking is not the policy detail but the discomfort it creates among the market-orientated commentariat.

These are people who have spent decades insisting that globalisation is the only sensible economic model, that markets should always set the rules, and that any interference - especially by governments - is a step backwards.

Now, faced with the reality that the UK may need to work with EU partners to protect domestic manufacturers, they are being forced into intellectual contortions that reveal just how brittle their worldview has become.

The friction here is not really about cars. It is about the deeper assumption that the economic model we have - a model built on global supply chains, financial expansion, and the relentless pursuit of growth - is the only one that makes sense.

That assumption rests on a one-directional pull toward opening trade as far as conceivably possible, because that's supposedly where growth will be found. And growth, in this worldview, is not about people becoming better off. It is about the creation of yet more money, usually through debt, which pushes up GDP and keeps the financial system ticking over.

This obsession with growth hides a fundamental truth: the growth that markets obsess over is not the same growth that most people experience.

GDP can rise while living standards fall. Productivity can increase while wages stagnate. Asset values can soar while home ownership collapses.

Many people still cling to the myth that political growth will make things better - or at least return life to how it used to be - but the numbers have been going up for years while the lived reality has been going down.

To understand why protectionism now makes sense, we have to understand the money system that made globalisation seem inevitable.

The Money System Behind the Illusion

Modern economies run on **fiat money** - money created not from physical value but from government authority and, crucially, from debt. When banks issue loans, they create new money. When governments borrow, they expand the money supply. Growth, in the political sense, is simply the expansion of this created money.

For decades, this system worked because the newly created money was tied to expanding production. Factories were built. Goods were made. Jobs were created. Communities thrived. The money had something real behind it.

But once production was moved overseas, the link between money creation and real economic activity broke. We kept creating money - but we no longer created the goods, jobs, or value that once justified it. Instead, the West became dependent on

consumption funded by debt, while production was concentrated in China and a handful of other countries.

This is where **extraction** enters the story.

Extraction: The Hidden Cost of Globalisation

Globalisation didn't just move factories abroad. It extracted value from every part of Western society:

- **Extraction of jobs** - manufacturing, engineering, logistics, and skilled trades hollowed out.
- **Extraction of wages** - pay stagnated while costs rose.
- **Extraction of communities** - towns built around industry lost their purpose.
- **Extraction of environmental stability** - long supply chains increased emissions and resource depletion.
- **Extraction of political agency** - decisions moved from local hands to global markets.
- **Extraction of national wealth** - profits and production flowed outward, not inward.

Above all, globalisation extracted **economic power** from people and transferred it to corporations, financial markets, and foreign production hubs.

This wasn't accidental. It was the design. Globalisation was sold as efficiency, but it functioned as a massive **wealth transfer mechanism**.

Wealth Transfer: The Real Story

The wealth transfer happened in several layers:

1. From wages to profits

When production moved abroad, labour costs collapsed. The savings didn't go to consumers - they went to corporations and financial markets.

2. From communities to global supply chains

Local businesses couldn't compete with imported goods. Wealth drained outward.

3. From national economies to China

The West consumed; China produced. The money followed the production.

4. From real economy to financial economy

As production declined, financial speculation replaced industry as the main driver of “growth.”

5. From future generations to the present

Debt expanded to maintain consumption levels that wages could no longer support.

This is why the system feels hollow: because it is.

The Illusion of Efficiency

Globalisation was sold as efficient. But efficiency is fragile.

Efficiency removes redundancy. Redundancy is what makes systems resilient.

Here, redundancy doesn't mean job losses. It means resilience. In systems terms, redundancy is the spare capacity, backup options, and local alternatives that keep things functioning when something goes wrong. A resilient economy has multiple sources of essential goods, local production alongside imports, and enough slack in its supply chains to absorb shocks. Globalisation removed this kind of redundancy - not by cutting jobs, but by stripping away the buffers that once protected communities, industries, and national security.

Local supply chains, local production, and local skills were once buffers against shocks. Globalisation removed those buffers. It replaced resilience with fragility, and called it progress.

When shocks hit - a pandemic, a war, an energy crisis - the system broke exactly where it had been hollowed out.

The Curious Love Affair With China

This is where the love affair that politicians, industry aficionados and financial players have with China becomes so curious. They praise China's industrial might, its manufacturing efficiency, and its ability to produce goods at scale and at speed. But they are blind to the realities underpinning the Chinese powerhouse - just as they are blind to how things really work economically here at home.

China's industrial strength is real, but its economic model is fragile. It is heavily dependent on exports, deeply entangled in debt, and centrally managed in ways that hide structural weaknesses. The property sector has been in crisis for years. Domestic consumption is too weak to sustain growth. And the country's manufacturing dominance relies on a global system that assumes stability, cheap energy, and constant demand - none of which can be taken for granted.

Yet Western economies outsourced their industrial base to China under the assumption that globalisation was permanent, stable, and mutually beneficial. They believed that moving production overseas would always be cheaper, always be efficient, and always be safe. But globalisation was never a natural law. It was a confidence game - a system that works only as long as everyone believes it will continue working.

Calling globalisation a Ponzi scheme might be too simple, but calling it a worldwide confidence trick is not far off. It requires constant expansion. It depends on trust rather than resilience. It shifts production far from consumption. And it leaves countries vulnerable if supply chains break, energy prices spike, or geopolitical tensions rise.

The truth that must be reckoned with is this: transferring every conceivable part of industrial production to the other side of the world leaves a serious question hanging in the air. What happens here - and what happens there - when the money system that is the lifeblood of this one-directional process comes to a grinding halt?

AI: The Final Blow to the Globalised Model

If globalisation hollowed out production, AI is now hollowing out what is left of the wage-earning capacity that once kept the system going.

For decades, the global model relied on a simple loop:

1. The West consumed goods made abroad.
2. People earned wages to buy those goods.
3. Governments and banks created money to keep consumption rising.
4. China produced the goods that consumption demanded.

But AI breaks this loop. It displaces jobs across sectors - not just manufacturing, which was already offshored, but services, administration, logistics, design, media, and even parts of professional work. The very wage base that kept the consumption-debt cycle alive is eroding.

We now face a situation where:

- We no longer produce the goods.
- We no longer earn the wages.
- We still create the money - but it has nothing real to attach to.

This is the point where the global system begins to fail. You cannot sustain a consumption-driven economy when the capacity to earn wages is collapsing. You cannot sustain a debt-driven money system when the underlying productive base has been hollowed out. And you cannot sustain globalisation when the domestic economy no longer has the means to participate in it.

AI is not the cause of the crisis - it is the accelerant that exposes how fragile the system already was.

The Collapse of Demand

The global system requires:

- constant production
- constant consumption
- constant money creation
- constant debt expansion

But:

- production moved abroad
- wages stagnated
- AI reduces earning power
- debt has reached saturation
- demand is collapsing

Once demand collapses, the entire global system fails - and protectionism becomes not ideological, but practical.

EVs: A Redirection, Not a Solution

EVs are being sold as a technological fix, but they are built on the same flawed logic: extract resources, extract labour, extract wealth, and hope the system holds.

The deeper issue is not the fuel that vehicles use. It is the assumption that we need so many vehicles in the first place - an assumption created by an economic system built around long-distance commuting, centralised employment, fragmented supply chains, and consumer lifestyles that depend on mobility rather than locality.

EVs change the technology but not the underlying logic.

The System Is Failing - And Protectionism Is Becoming Necessary

We cannot continue like this. Soon we will not be able to.

The system that pointed everything toward China, foreign production, and EVs is falling to its knees. The question is whether we wake up in time to address the real issues while we still have a choice - or whether events will push everything we know straight to the floor.

In this context, protectionism not only makes sense - it becomes essential. Not just for cars, but for everything people genuinely need each and every day.

Media discussions about “upsetting China” are irrelevant compared to the question of more pressing matters such as whether everyone can continue to eat during a prolonged crisis.

Like so many other forms of essential production and supply we have hollowed out the UK’s ability to feed itself. Politicians may say we produce around 60% of our own food, but that figure is misleading. Much of that production depends on imported inputs: fertiliser, feed, energy, machinery, labour. If borders fully closed, the real amount of food ready to go directly to the table is closer to **11%**.

That means in a real, ongoing crisis, we could feed roughly one in ten people. And this would potentially be the baseline for as long as it would take to change, develop and reestablish UK systems to produce enough food to meet everyone’s basic and essential needs.

To call this situation stupid would be an understatement. It is a growing structural vulnerability that has been ignored for decades because it was easier to believe that global supply chains were permanent and that crises only ever happened somewhere else.

The Only Viable Path Forward

Locality, localism, and an entirely different system - one that puts people first rather than money first - is now the only answer. And it’s the same for everyone else too.

Protectionism, in this context, is not about nationalism or nostalgia. It is about resilience. It is about ensuring that essential goods are produced close to where they are consumed. It is about rebuilding the capacity to feed, clothe, transport, and sustain ourselves without relying on fragile global systems.

This does not mean closing borders or rejecting trade. It means recognising that trade should complement domestic capability, not replace it. It means building systems that can withstand shocks rather than collapse under them. It means prioritising the basics - food, energy, manufacturing, infrastructure - over abstract financial growth.

The globalised model didn’t fail because of ideology. It failed because it extracted too much, transferred too much, hollowed out too much, and left too little behind.

Protectionism isn’t a political choice. It’s a survival strategy.

Further Reading

Understanding why protectionism now makes sense requires stepping back and seeing the wider system that shaped our economy, our politics, and our everyday lives.

The following pieces explore the deeper mechanics behind growth, money creation, economic fragility, AI disruption, and the urgent need for localism.

Each article expands on themes raised in the essay and offers a clearer view of how we reached this point - and how we can move forward.

1. Understanding the Growth Illusion

Why Politicians Obsess Over Growth - And Why It Has Nothing To Do With You

<https://adamtugwell.blog/2026/09/30/why-politicians-obsess-over-growth-and-why-it-has-nothing-to-do-with-you/>

A clear explanation of why political “growth” is not the same as real-world improvement. This piece shows how GDP has become a political performance metric rather than a measure of public wellbeing, and why the obsession with growth continues even when life gets harder for ordinary people.

The Harmful Truths That Are Hidden Behind Political Growth

<https://adamtugwell.blog/2024/12/06/the-harmful-truths-that-are-hidden-behind-political-growth/> A deeper dive into the mechanics behind growth, revealing how the system relies on debt creation, financial expansion, and the extraction of value from communities. It explains why political growth often hides economic harm rather than progress.

2. How the System Hollowed Out Everyday Life

Why So Many People Are Struggling - And It Was Never Their Fault

<https://adamtugwell.blog/2026/10/03/why-so-many-people-are-struggling-and-it-was-never-their-fault-the-hidden-mechanics-of-an-economy-that-works-against-normal-life/>

This piece exposes the hidden mechanics of an economy that works against normal life. It explains how wage stagnation, rising costs, and the collapse of local industry were engineered by a system designed to extract value rather than support people.

Why Britain Feels Like We Are Being Priced Out of Everyday Life

<https://adamtugwell.blog/2026/10/01/why-britain-feels-like-we-are-being-priced-out-of-everyday-life-and-why-the-real-explanation-is-nothing-like-the-one-you-were-taught/>

An explanation of why everyday life has become unaffordable. It challenges the mainstream narratives about inflation and cost-of-living pressures, showing how the real causes lie in decades of economic policy that hollowed out domestic resilience.

Thinking Clearly in a Time of Fear

<https://adamtugwell.blog/2026/09/14/thinking-clearly-in-a-time-of-fear/>

A guide to understanding economic and political turbulence without falling into panic or misinformation. It helps readers see the structural issues clearly and avoid the fear-driven narratives that often dominate public debate.

3. Fragility, AI, and the Collapse of the Old Model

The Age of Circular Fragility - Why AI and the World Economy May Now Rise and Fall Together

<https://adamtugwell.blog/2026/08/28/the-age-of-circular-fragility-why-ai-and-the-world-economy-may-now-rise-and-fall-together/>

A crucial exploration of how AI accelerates the fragility already built into the global economy. It explains why job displacement, collapsing demand, and global supply chain dependence form a circular system where shocks amplify each other.

4. Building a Better Economic System

An Economy for the Common Good - Full Text

<https://adamtugwell.blog/2025/02/24/an-economy-for-the-common-good-full-text/>

A foundational piece outlining what a people-first economic system would look like. It explains how money, governance, and local production can be redesigned to serve communities rather than financial markets.

The Local Economy Governance System - Online Text

<https://adamtugwell.blog/2025/11/21/the-local-economy-governance-system-online-text/>

A practical framework for how local economies can be structured, governed, and sustained. It shows how localism can replace global fragility with community-level resilience and democratic control.

The Basic Living Standard Explained

<https://adamtugwell.blog/2025/10/24/the-basic-living-standard-explained/>

A clear explanation of a baseline living standard that ensures everyone has access to essentials. It connects economic design with human dignity and outlines how a fair, sustainable system can be built from the ground up.

Further Information

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