

Economic nationalism and neoliberal globalism in a Trump world

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Abstract

The article purports to explore the fundamental roots to both recent electoral quakes in Western democracies and general demise of the centrist elites' capability to set and dominate economic, and thus, political, discourse. At the same time, the 'post-ideological' order is shown to be but a chimera that can never be. The questioning of neoliberal globalism eventually poses a challenge not only to the "establishment," but also to the "populist" left, who seem to have lost contact with one class they once used to represent, but have now forgotten — the workers.

1. During the past U.S. election campaign, the mainstream approach presented Trump's words and deeds as erratic and purely impulsive reactions of emotionally vulnerable, 'thin-skinned', mentally unstable person. Trying to make use of that, his opponents deliberately tried to punch him to produce in response a flurry of tweets, etc. providing further evidence that he was 'uniquely unfit' for the job. Whether it was a flaw in the mainstream approach, a failure of democratic electoral mechanism, or something else — the job is his now. And it has become pretty clear that those things he was saying on the campaign trail were more or less what he meant. So the question now is: how far Trump can go in implementation of his agenda. I assume that neither the Democratic leadership, nor a hipster base of 'resistance to tyranny' is really eager to or able to commemorate the anniversary of the 1917 Russian revolution with a real uprising on Potomac. Then, to stop Trump in a legal way, the Democrats need to regain solid majority in Congress on the 2018 midterms (to have the base for an impeachment process thereafter). Many among the liberal intelligentsia of the world are positively sure that causes to start impeachment are already at hand. If we deduce emotions from the belief, the rest is that Trump's turbulent business career so far has not given evidence of his light-minded attitude to legal cover for his actions, while the memories of Nixon's (and, somewhat forgotten by Democratic aspirants of legal resistance, Bill Clinton's) impeachment are still there to remind the potential traps. Surely, a strong opposition to Trump among the Republican establishment is also a factor to count on. But expectation for massive Republican detraction, nurtured in progressist circles, has never materialized. Instead, Trump was credited with electoral miracle that few among the Republicans could realistically hope for. He was able to assemble a new electoral coalition. This is the asset which definitely would overweight any 'principled' concerns among regular Republican politicians (a few heavyweight 'mavericks' apart), unless they start to perceive that a Trump coalition is not there. And, as the late evening of November 8, 2016 would remind any perceptive politician, not only 'principles', but even polls — that deified oracle of modern politics — do not constitute objective reality to rely upon. Election results do. So, with a Republican majority in Congress and vast executive power of his office, there are two major modes for the U.S. political forecasting: 1) his 'gaffes', potential conflicts of interest and/or wrongdoings coupled with his unpopularity in polls would ruin his agenda and his very presidency — most likely sooner than later; 2) he would continue to implement his agenda as it was presented on the campaign trail at least until 2018 (as a possibility, even until 2024). The first mode perfectly follows the mainstream narrative that provided the consistent explanations why Trump could not win all the way on his ascension to power. Let us opt for the second one, at least for the sake of curiosity. That is, we assume the Trump administration to possess a leverage to impose his agenda. 2. Trump's economic nationalism, given the role of American economy and the weight of American polity, is potentially the most consequential part of his agenda for the global economic order emerged in the aftermath of two world wars and ultimately

shaped with the rise of neoliberal consensus and the demise of the socialist block. A widespread wisdom, as revealed by the world class of pundits and experts, is that all policy measures that go against economic rationality are doomed to failure, and that a Trump world simply does not have a chance to materialize in confrontation with the reality of ever globalized world. According to that way of reasoning, Trump appeals to somewhat understandable, but fundamentally wrong 'anti-establishment' sentiments of certain social groups hit by cultural and economic effects of globalization ('lost in transition'), but the objective trend *is* globalization. In short, Trump's victory is conceivable, a Trump world is not: while the roots of populism are easy to understand, the results of implementation of a populist agenda are bound to be ruinous and short-lived. Progress is irreversible: the world goes global.

3. The dominant approach to economic effects of globalization (shared by many both to the right and to the left of the established political spectrum) is shaped by modern international trade theory, which can be summarized as follows: in the long run a free-trade regime cannot be but beneficial to all the countries involved. In the long run, comparative advantages would ensure that free trade regime is a win-win game: the developed economies get access to cheaper resources and (primary) commodities; the developing ones get access to capitals and (manufactured) commodities, which would otherwise divert relatively higher inputs to produce in an autarchic mode. Under a free-trade regime, a difference in levels of wages generates outsourcing of production from countries with 'expensive' to countries with 'cheap' labor. Thus, economic convergence is guaranteed, which makes globalization both effective and fair (again, in the long run). For several decades since the origins of the modern development economics in the 1950s many scholars argued that the involvement of the developing economies into the global market would not necessarily result in rising incomes (and, generally, in the development) there; some of them even dared to use the completely obsolete term 'exploitation'. Instead, they argued in one way or another, the impact of the global market may well result in emergence of enclaves of export-oriented production connected more to the international buyers, than to the adjacent backward areas (which does not preclude the exportation of raw materials, or labor-intensive products, or labor itself from those areas as well). The dissenting approach to economic development had gained some influence until it was submerged with the tide of neoliberal consensus of the 1980s–90s. Nowadays, Trump and other Western 'economic nationalists' argue that it were the Western economies that were in fact 'cheated' with the spread of economic globalism; and the base of their electoral successes is situated precisely in those areas of their economies that did not go global.

4. The cause of neoliberal globalism was pursued for several decades under the guise of inevitability. In this regard the crises of the welfare systems, fiscal deficits, and amassed debts, etc. are usually cited as the *causes*, which rendered the implementation of neoliberal agenda necessary. But those were in fact the *effects* of the trends apparent already in the 1970s, if not earlier. Outsourcing of production and creation of 'global value chains' was guided not only by potential 'reswitching' to lower labor costs. In many cases the factor of equal significance (and in some cases the main factor) was, and is, the possibility to 'optimize' the taxation. 'To go global', both in terms of corporate profits and of personal incomes, often means 'to go offshore'. As a result, the fiscal burden falls on unlucky 'remainers'. To ensure free movements of capital, many barriers (including sovereign monetary policy) were dismantled in one way or another. Lack of those barriers, coupled with modern communication technologies resulted in making of a single speculative market 'that doesn't sleep', with capitals constantly flowing around the globe from New York to Tokyo to London and back to New York. This market, which hardly can be a subject to any consistent control and regulation (hence, taxation), constantly produces enormous profits for the few and regularly — enormous losses for the many (usually to be covered by taxpayers from this or that crisis-ridden nation). Sovereign debts (sustained in the last resort by taxes to be collected or 'austerity measures' to be implemented on a national level) are but chips for play, among other assets on the international speculative market. As if uneven fiscal burden was not enough to undermine local production, free-trade agreements implemented since the 1990s made the victory of big global businesses over the

nation states and local producers really inevitable. With national financial systems subjugated to global finance and national economies split into the 'advanced' sectors (that went global) and the 'backward' ones (that remain local), the state in the form it had acquired by the last quarter of the 20th century was in many ways outdated indeed. The causality was the society, which used that state as the means to provide a horizon of decent life: of hopes and of dreams to be achieved within sustainable communities that (at least ideally) were supposed to provided encouragement for winners; shelter and protection for sick, young, unfortunate; and well-being for all. Not only economic sectors and regions — the peoples split into the winners on the global market of 'human capital' on the one side, and the global cast of miseries, whose only flaw is that they are stuck to their places and occupations, on the other. Millions of young students all over the world are getting their degrees in medicine, engineering, IT (not rarely reimbursed by national education systems) with the only hope to leave their lands for good and forever. Millions and millions are leaving without any hope, out of fear and despair. Those lucky who would succeed are almost bound to feel that they do not belong their new lands. Those who would remain almost are bound to feel that their hopes and dreams are futile, that their very lives do not belong them on their native land. Global neoliberal order does not need nation states, communities and their welfare nets. They can be tolerated (albeit in a privatized and 'optimized' form) in the case of diversified production systems well integrated into the global market — as the means to maintain the local workforce. They are excessive luxury in the case of mono-exporters. As the recent examples of some oil-exporting nations show, the global neoliberal order may well make use of them without any state apparatus 'attached' at all. In terms of global market, a more economical way is to have an army of mercenaries there to control and protect oil wells and pipelines, with a variety of feuding tribes allowing for alliances at cheaper price than the previous agreements with the fallen eccentric dictators.

5. The accumulated anxiety has revealed itself recently in the center of world economy. It is not that the challenges, political and economic, to the globalized order were not visible elsewhere. It is that the supporting established discourse, which long embraced the idea of neoliberal globalization, is still produced in the West. And now, only now, too many in the expert class have felt the anxiety as well. They tend to personify Trump as the evil. Each picture of him in the Oval Office is an unpleasant challenge to validity of those norms and models on which the authority (and well-being) of that class is based. The point, however, is that he, as well as other politicians who managed or will manage to disrupt the established globalist and progressist discourse, was able to ride the wave of general anxiety. But that anxiety was not generated by him. Currently, with the French elections and a new spiral of impeachment talks in Washington, D.C. the liberal spirit is on the rise. In the liberal remake of *Il Trono di Spade*, Emmanuel the Handsome gloriously defeats Marine the Mad, joins Angela-suddenly-turned-the-Great and, supported by the Democratic partisans, their forces are bound to tear in pieces Donald the Terrible (and to save from captivity of the Milano Expo two brave mates, Barack the Wise and Matteo il Petaloso). But even if all parts of this scenario are realized, the sources of the anxiety that generated the wave of economic nationalism would remain in place. They have economic roots. And the return of nice politicians telling nice (and politically correct) words may only suppress the symptoms for a time, but not to cure the anxiety.

6. Some days ago in Paris, Macron proclaimed the triumph of the new (glorious) French revolution — and the coming of the new, post-ideological order ('neither left, nor right'). For a long time France set ideological trends for the rest of the world. This proclamation, however, signifies that this is no more the case. Ideas of the death of ideologies (and the end of history) are outdated. They were tested and retested since Clinton and Blair. In those cases the new French president may be excused for inattention, given the general contempt of Frenchmen over Anglo-Saxon culture and his tender age. But France is about to explore joyfully the same path of *rottamazione*, which neighboring Italy have followed (with all due respect to talented Mr. Renzi) since 1992–94: shattered political order, established political parties and their leaders fallen into disgrace, the aspirant leaders combining their brand-new parties from the remnants of the past. As this, and

other examples of post-ideological experiments show, there can be no such thing as a policy which is neither left, nor right. Basically it is the right policy in neoliberal dressing (institutional reforms, flexibility, enhancing human capital, ecc.) with some cultural concessions to the left. Increasingly in the recent decades only the members of the globalized elite (and their cultural dependents) found themselves comfortable with the 'centrist' political markets. The result was the trend to electoral absenteeism. But the world economic crisis has shaken the status quo. What habitually is defined nowadays as 'populism', is in fact the return of 'old-fashioned' politics, where ideologies represent and channel the particular interests in economic and social conflicts. The most unpleasant hypothesis behind the 'Trumpquake' is that the anxiety in question was generated not by some short-term failures of neoliberal globalization, but rather by the very success in its implementation.

7. Do the protectionist measures of the rising new Western economic nationalism provide a threat to the established global economic order? Yes, they certainly do. Would they provide, if implemented, the clearest example of an outright folly? Yes, they certainly would — but only in a world that perfectly conforms to the models of modern international trade theory, and even then, in the long run. However, as John Maynard Keynes put it, 'in the long run we are all dead. Economists set themselves too easy, too useless a task, if in tempestuous seasons they can only tell us, that when the storm is long past, the ocean is flat again.' And yet, economists have managed to lock themselves in a profession perfectly suitable precisely for long-term impartial observations, with many of them holding 'tenured', life-long positions and many more 'impartial spectators' in waiting, who aspire for those positions. Economic shocks of the outer world are but waves, barely noticeable from the privileged promenade accessible by economists (and almost exclusively by them). The problem (for the mainstream economics) is that politicians do not see the world other than in a short-run perspective: they may try to ride a wave economists would prefer to ignore, and they may succeed in their pursuit of power, much to economists' distress. That would not make the world a better place, but that requires from us to be reasonable, not emotional, in our considerations of the possible future trends. As for now, the trend towards economic nationalism all across the globe appears to be strong and persistent (even if we may regard it as irrational).

8. And as a matter for a *post-post-ideological* consideration it is worth noting that the 'populism' of the left lags behind the 'populism' of the right in the Western democracies (cf. Trump and Bernie Sanders, Le Pen and Mélenchon). Podemos in Spain gained considerable electoral success, but does not seem to be on track to further advances. How left is the populism of Beppe Grillo it is for Italian readers to decide. The only electoral success of force that can be considered as the 'populist' left is that of Tsipras' Siriza in Greece, and it is far from inspiring. There are, surely, many specific factors at national levels to explain the trend. But the persistence of the trend allows to assume, that, given the economic roots of the current 'populist' wave, the left needs perhaps to shake the 'progressist' vulgata adopted in the neoliberal decades, and to consider carefully some 'old-fashioned' basics. Economic program cannot be reduced to redistribution alone. If the left is not able to return to the modern workers (long considered to be disappeared as a class) and to propose the program of raising productivity, employment, and incomes on a national level, if the left is continue to pursue essentially globalist agenda — it seems that the left is bound to trail to the 'populism' of the right. The real test for the present-day left agenda is not the alleged Trump's impeachment, and not the achieved Le Pen's defeat, but the (quite probable) Corbyn's defeat later this year. Also in this regard the experience of Italian *sinistra* of the past quarter of century is worth noticing.

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