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Brand New Left, Same Old Prolitics

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Citation	Berger, Suzanne. "Can Democracy Survive Global Capitalism?" <i>Foreign Affairs</i> 97, 5 (October 2018): 212-216
As Published	https://www.foreignaffairs.com/reviews/review-essay/2018-08-13/brand-new-left-same-old-problems
Publisher	JSTOR
Version	Original manuscript
Citable link	http://hdl.handle.net/1721.1/119257
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How to Make America Great Again: A View from the Left [*Published as "Brand New Left, Same Old Politics," in Foreign Affairs, (September-October 2018, vol 97, no. 5, pp. 212-216.)*]

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Can Democracy Survive Global Capitalism?

BY ROBERT KUTTNER. W.W.Norton & Company. 2018, 344 pp.

Globalization's friends and advocates are fast defecting. Public opinion polls show a growing number of Americans who think trade and business ties with other countries are bad for the U.S. economy. Economists who once taught that trade and capital mobility were win-win exchanges across borders today remind us they had always warned that losers would revolt if they were not compensated. If there is a blowback now against free trade, economists argue, it is not because the theories were wrong, but because governments failed to provide retraining and income supports to the losers. Going further, some mainstream economists now point out that while the gains from globalization are positive, they are much smaller than once had been claimed. Most damaging: globalization is widely-believed to be responsible for destroying working class jobs and communities and inciting the anger that fuels populism.

Economic Nationalism on the Rise

As globalization's defenders retreat from the field, a different vision has emerged of the good economy. On both Left and the Right ends of the political spectrum, economic nationalism is back again. To flesh out what economic nationalism means, each political camp refers back to a Golden Age, an America secure within well-guarded borders that kept out those foreign goods, services, money, and people that could

disrupt national well-being. For Donald Trump and his advisors, “Make America Great Again” puts our time of greatness firmly in the past, clearly back beyond Obama, Clinton, and the Bushes, but refers to no specific moment in American history as the great one. For progressive and Left-wing thinkers and politicians, the Golden Age is New Deal and post-war America, an economy and society structured by Roosevelt’s reforms in the 1930s, a world that lasted into the 1960s. Robert Kuttner’s powerful new book, *Can Democracy Survive Global Capitalism?* is the latest in a stream of works that use the New Deal to show that government once was able to tame and constrain the very same pathologies of unregulated capitalism that today generate huge inequality in wealth and opportunity, a collapse of social mobility, and a general climate of anxious insecurity. In Kuttner’s account, the New Deal is a kind of existence proof of the possibility of striking a better balance between capitalism, equality, and democracy.

Much in Kuttner’s scorching account of the inequities and dangers for democracy in today’s society is on target. Could we, though, as he suggests, just go back to New Deal institutions and policies? Kuttner dates the end of the New Deal world and postwar social contract to the early 1970s when stagflation-- inflation and slow growth-- set in. He claims that dealing with inflation need not have spelled the end for egalitarian capitalism: “The shift back to radical laissez-faire—neoliberalism—was not required by the economic circumstances. Neither was the full deregulation of finance, nor the enforcement of austerity, nor the use of trade rules to further undermine domestic managed capitalism, nor the indulgence of globalized and systematic tax evasion.” (73) If, as Kuttner insists throughout the book, there was no economic inevitability about the demise of the New Deal, why not bring it back? What made New Deal policies that combined growth with equity work then? Are such policies possible and desirable today---albeit with some updating-- as he argues in his conclusion?

Kuttner tends to see politics as a struggle of “the people” against “the power elites.” To account for the success of the New Deal and its institutionalization in the postwar

social contract, Kuttner points to “inspired leadership backed by the power of mass movements.” (285) He recognizes that contingent events fell out in a lucky way that favored the New Deal. But what mattered most, he writes, was the mobilization of labor and the public that empowered the state to regulate finance. These factors were certainly important, but this characterization of politics as a unitary, undifferentiated “people” against a unitary “elite” ---a characterization common to all populist politics--- is too simple an account of the New Deal. The coalitional politics that underpinned the New Deal were more complicated and morally fraught than Kuttner’s account acknowledges.

The New Deal was built out multiple compromises and bargains with industry and agriculture and a very uneven distribution of benefits. Though Kuttner does not pay much attention to them, these bargains were critical to getting New Deal legislation through Congress. For understanding both how the New Deal was possible and how it fell apart, however, analyzing the coalitions built on these deals is key. Kuttner mentions racial politics in the New Deal only briefly, and then, as a “fault line and source of deferred crisis.” (35) Yet, as Ira Katznelson contends in *Fear Itself*, a magisterial account of the politics of the New Deal, nothing was more important to the passage and implementation of Roosevelt’s policies than the coalition within the Democratic Party between Southern Democrats and Democrats from the rest of the country. Given the Southerners’ control over key committees in Congress, New Deal legislation could never have advanced without their votes and support. The bargain that held together the coalition within the Democratic Party was acceptance of the South’s white supremacist racial system. The government would not intervene even to prosecute those responsible for lynchings. New federal programs would maintain and reinforce segregation. The state would not act to change the Southern racial regime. As Katznelson concludes: “With [this acceptance], human suffering on the most existential scale was sanctioned. With it, eyes were averted when callousness and brutality

proceeded, and black citizenship was traduced. Yet with it, the New Deal became possible." From this perspective, we can also understand the end of the New Deal. Once Southern Democrats recognized that the extension of the powers of the federal government into realms previously left to the states and the rise of the power of organized labor had become mortal threats to the South's racial regime, the coalitional politics underpinning New Deal policies was doomed. The final blows to the New Deal policies would come from the Civil Rights movement in the nineteen sixties, not from globalization or neoliberalism.

In his minimal treatment of the significance of the New Deal compromises and coalitions what Kuttner misses is the diversity of interests that need to be accommodated within any democratic strategy for political and economic reform. Kuttner is at great pains to distinguish "progressive populism" from what he calls "neofascist populism" or "reactionary populism." But his conception of politics as "the people" against the "power elites," and disregard of the moral ambiguities and tensions in the coalition underlying the New Deal suggest a view that has much in common with populism on the Right. Of course, Kuttner's understanding of Americans and their interests and ideals is radically different from Steven Bannon's conception of "the people." But politics is not a realm in which we should expect moral purity or coalitions of angels. The coalition between the progressive New Deal reformers and the Southern white supremacists made possible the remarkable social and economic achievements of the New Deal Golden Age. This particular bargain is not one now acceptable (or available) in American democracy. But tackling major problems in today's society of inequality, blocked opportunity, and financial market risk will once again require making common cause with strange bedfellows. Democracy in large countries, if not in Rousseau's small communities, works through cooperation and collaboration among many particular, disparate interests, not unity within a single general interest.

Today the path to reform is one that requires coalitions of groups with a diversity of stakes in open borders and participation in the global economy with groups with a diversity of demands for greater equity and opportunity within our domestic economy. There are strong European and American precedents for such coalitions both at national political and at the industry-sector levels during the first globalization (1870-1914). The Scandinavian cases are well-known. But even in the United States these bargains were important, as Adam Dean most recently has shown in *Conflict to Coalition*, an analysis from the local to the national level of trade preferences and policies in cases in which workers united with employers on issues involving tariffs and trade when employers accepted profit-sharing wage agreements and cases when employers resisted such deals, and the unions shifted their trade preferences. Kuttner rejects such a path to reform. His vision is a different one: to restore public power and constrain capitalism with "progressive populism," defined as a "public in a high state of democratic mobilization". He discounts even those compromises that might be made between progressives and moderate Democrats who try to appeal to crossover Republicans, and argues: "Pro-corporate Democrats can and do get elected with such views---but why bother?" (294)

Globalization, Mother of All Evils?

Today's economic nationalists have yet to explain what economic relationship between the United States and the rest of the world would be desirable and sustainable. Their catalogues of what is wrong today in our exchanges with other countries are long and highly debatable. Some negative points, like failure to prosecute intellectual property theft, are ones on which most supporters of globalization would also agree. But the nationalists' long lists go on to attack the unfairness of importing goods made by low-wage workers, the deficits of the balance of trade, the corruption of American

values by the entry of foreigners with different cultures and values, trade agreements that supposedly cost the U.S. economy more than they gained, the destruction of manufacturing jobs and much else. Kuttner argues the ultimate sin of globalization is that it undermines democracy by limiting the possibilities for national regulation of the economy. But aside from castigating the evils of open flows of goods, services and capital across borders, neither Right nor Left economic nationalists have come up with a clear vision of an international economic order that would be both favorable for American interests and favorable enough for the interests of other nations to serve as the basis for a stable system of global economic exchanges .

For Left economic nationalists like Kuttner, the world of the Bretton Woods agreements on trade, monetary relations, and capital mobility is a kind of normative reference point. But the Bretton Woods accords worked as well as they did and for as long as they did because of an exceptional American predominance in the global economy. With the recovery from war ruins of the other industrial powers, America's oversized economic power was bound to diminish. Given the Cold War, it was inevitable that American policies would have to contribute to the rise of its future trade rivals. The exigencies of preventing the spread of Communism around the world meant that American hegemony would have to be exercised in ways that stimulated the economic recovery of West European allies and growth and prosperity in Japan, Hong Kong, Taiwan, and South Korea. If the U.S. gave a pass to these countries by allowing them to export goods to the U.S. without fully opening their own borders to the entry of American goods, services, and capital, it was determination to prevent the growth of pro-Communist forces in those countries, rather than naïve devotion to free trade that motivated American policies. Political economists still debate whether it was market-based policies or state-led growth strategies that account for the transformation of Asian nations into leading world economies. But on either reading of the story, export-oriented industrialization has so far been the only growth strategy that has worked to

shift some of the poorest countries on earth into the ranks of the prosperous. Without being able to export goods to the United States, the Asian growth miracles would likely not have been possible.

Today when economic nationalism seems to be winning everywhere, is there still a case to be made for globalization? What are its benefits for "America First"? If globalization's gains for the U.S. economy have perhaps been overstated, its political benefits for an open and tolerant society have certainly been underestimated in recent debates. Economic nationalism means a politics focussed on the borders that divide us from others. It threatens to spill over into an ugly and divisive politics at home. It's only now ---with battles over the separation and incarceration of refugee children on our borders, with the breaks with our Canadian and Mexican neighbors and allies around the world, with discrimination against Muslims in immigration policy, with rising racism and anti-Semitism--- that we can more fully understand why nineteenth and early twentieth century advocates of free trade and their Socialist and trade union allies emphasized political benefits of openness, as well as its economic gains.