

# **The Political Economy of the Trump Presidency**

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## **1. Introduction**

U.S. President Donald Trump aims to install a right wing nationalist regime in the U.S. This effort, if successful, would be disastrous for ordinary people, in the US and around the world. However, this process is still in an early stage, and the outcome is far from determined at this time. Understanding the roots of this dangerous trajectory in the past few decades of neoliberal capitalism can contribute to developing strategies for resistance and for shifting the political direction toward a progressive future.

Right wing nationalist regimes have emerged recently in several countries, including Turkey, India, Hungary, Poland, and the Philippines, and longer ago in Russia under Putin. Such regimes stress nationalist and patriotic themes, play upon and intensify fear of minority ethnicities and/or religions and/or other long-oppressed groups, promise to resolve festering economic problems of ordinary people, and direct the blame for such problems at a convenient scapegoat such as foreigners or immigrants rather than the real causes. Right wing nationalist regimes, if consolidated, invariably restrict long-established individual rights and introduce, or intensify, the use of extra-legal violent methods at home and abroad.

The Trump Administration's nomination of extreme neoliberals bent on obstructing the mandated mission of key federal regulatory and human services agencies garnered widespread media attention and condemnation. However, this is not just a new wave of deregulation, privatization, and cutbacks in social programs. Harmful though such rightward political swings are to human welfare, in the past they have taken place within an established framework of neoliberal capitalism that dates to the late 1970s/early 1980s. Since the 2016 election we have seen the possibility of a change in that framework, that is, a change in the institutional form and the dominant ideology of U.S. capitalism.

In 2016 a remarkable shift occurred in the relation between big business and the electoral

process, which serves as an indicator of the depth of the ongoing transformation. Every president elected in the past 75 years -- until 2016 -- had significant support from the giant corporations and banks that dominate the economy. The election year of 2016 was different. While some wealthy individuals supported Trump, he first won the Republican primary contest, and then the White House, without the backing of any significant section of the traditional ruling class of big corporations and financial institutions, without the support of the elite of high level political figures who move in and out of government, and in the face of opposition from most of the major mass media. In the days following November 8, the mainstream mass media reflected a sense of chaos in society -- something that could not happen had somehow happened, and no one knew what the consequences would be. In some way the deep structure of political power in the U.S., which had remained stable despite earlier major shifts in the dominant economic model, had been ruptured.

## **2. The Setting for Trump's Rise to the Presidency**

The soil from which the Trump presidency emerged began to form in the late 1970s to early 1980s, when the institutional structure of US capitalism was transformed from the "regulated capitalism" of the post-World War II decades to "neoliberal capitalism." This transformation involved the role of the state in the economy, the capital-labor relation, the corporate sector, and the dominant ideas. Government regulation of business and finance was reduced or eliminated, public services were privatized, social welfare programs were cut back, and the tax burden was shifted from corporations and the rich to those in the middle. The rules of the global economy were changed, to promote free movement of goods, services, and capital across national boundaries, giving rise to an increasingly globally integrated economy. The postwar capital-labor compromise was abandoned, replaced by a corporate-government attack on trade unions -- collective bargaining was marginalized and a growing percentage of jobs became part-time or temporary. The cooperative price-setting practiced by big companies in the preceding period gave way to

unrestrained competition. Market principles penetrated into all aspects of society. The financial sector expanded rapidly relative to the real sector of the economy.

The dominant ideas changed even before the big changes in institutions and policies. Starting in the late 1960s and gathering momentum in the 1970s, classical liberal ideas rapidly gained in influence, particularly among economists. Postwar regulated capitalism had been supported by a Keynesian ideology holding that, while capitalism is the best possible system and markets are generally efficient, the state must play an active role in the economy. An active state role was justified as necessary to prevent depressions, limit income inequality, increase individual economic security, and prevent such "market failures" as environmental pollution. By the late 1970s an extreme version of the old classical liberal beliefs replaced Keynesianism as the dominant ideology. The new neoliberal ideology held that individual freedom of choice in markets is the fundamental basis of human welfare, while the state was portrayed as an enemy of individual freedom, a threat to private property, and a parasite living off the hard work of individuals.

The stability of the neoliberal form of capitalism over several decades was demonstrated by its effective resistance to any change of direction, despite the harmful consequences for the majority and despite the periodic election of candidates and parties whose promises conflicted with neoliberal prescriptions. Bill Clinton ran for President in 1992 promising to put "people before profits," but once in office his administration eliminated the main welfare program for the poor while pushing through the last stage of financial deregulation. Similar disappointment followed the return to power of the Labor Party in the UK under Tony Blair in 1997.

The advocates and ideologists of neoliberalism promised that unshackling business from the heavy hand of government would unleash private initiative, leading to increasing private investment, faster economic growth, and a rising tide that would "lift all boats." Neoliberal restructuring in the U.S. did bring rising corporate profits, rapidly rising incomes for the rich, and

a series of long economic expansions punctuated by relatively mild recessions, through 2007. However, both investment and economic growth were more sluggish than in the preceding regulated capitalist era, and the promised "rising tide" never materialized -- the inflation-corrected average wage of workers trended downward from 1979 to the eve of the financial crisis in 2007 while the degree of income inequality rose dramatically. A growing part of the population found their material conditions deteriorating, yet it seemed there was no way to effectively challenge the existing order. The problem of who would buy the goods of an expanding economy in the face of wage stagnation was resolved through massive household borrowing secured by a series of big asset bubbles in the stock market and housing market. However, this process left the economy and financial system vulnerable when the giant real estate bubble burst, as every bubble inevitably does.

The collapse of the real estate bubble in 2007 ushered in the big financial and economic crisis of 2008-09, which started in the US and rapidly spread around the world. When the giant banks -- and General Motors Corporation -- faced insolvency, the lectures about individual responsibility were quickly forgotten as the state rushed to bail them out with taxpayer funds. However, the same solicitude was not shown to the millions of homeowners facing foreclosure in the crisis, who were left to fend for themselves. This spectacle gave rise to a major delegitimization of the ruling free-market ideology and a growing anger at the rich and powerful on the part of ordinary people. Suddenly public opinion surveys showed high favorability ratings for "socialism," especially among young people.

The financial panic and Great Recession of 2008-09 were resolved by speedy and massive state intervention, but once the banks had been bailed out and the collapse of the economy had been arrested, the dominant policy-makers returned to neoliberalism as usual, in the guise of austerity policy. What followed has been economic stagnation, with a GDP growth rate of 2.2%

per year in the US since the recovery began in the summer of 2009, which is by far the slowest growth following a recession since the end of World War II. This stagnation, a global phenomenon, reflects not just the effects of state austerity policies of cutting spending, but at a deeper level it indicates the exhaustion of the neoliberal economic model, which is no longer able to generate the debt-financed consumer spending on which it had depended. Despite the talk about the problem of income inequality, in recent years that has worsened, as almost all of the meager increase in income in the US has gone to the rich. Corporations and banks have been making high profits but sitting on the proceeds rather than using them for investment.

The above sequence -- 25 years of gradually worsening conditions for the majority, then a big crisis, then stagnation -- destabilized the political system in the US as well as in other countries. By 2016 a large section of the US population was ready to support a radical departure from the established policies. The political candidates supported by the ruling elite were offering no solution to the festering economic problems. The two-party system, long a key stabilizing institution for US politics, that put pressure to move toward the political center, suddenly turned into its opposite. While the outsider Trump captured the Republican presidential nomination, self-described socialist Bernie Sanders came close to winning in the Democratic contest.

There is a precedent for this political conjuncture in twentieth century history. The Great Depression of the 1930s set off a long period of economic stagnation, following the collapse of an earlier phase of free-market capitalism in the 1920s. There followed extreme political polarization, as three new directions took hold. Fascism arose in Germany, Italy, Spain, and Japan. Progressive reform of capitalism emerged in Scandinavia, France, the UK, and the US. State socialism expanded into East/central Europe and Asia

### 3. The Trump Regime

A period such as the current one opens up the possibility of a radical break in the dominant socioeconomic system. The Trump regime grew out of this context. During his primary campaign, Trump called for an alternative to the existing order, initially challenging all of the main aspects of neoliberalism. His ideology stressed nationalism, xenophobia, racism, disdain for science, and a kind of "revanchism" calling for restoring an imagined past glory. Trump's political tendencies suggested a drive toward authoritarianism, bullying, re-establishing a supposedly vanished public order in society, scapegoating of minorities, calling for revenge against political adversaries, hints of violence, an image of strong-man ruler who would solve all problems "on day one." He advocated statist economic policies such as major infrastructure rebuilding, trade protectionism, and policies to force private corporations to invest and create jobs in the US instead of abroad. He challenged various aspects of neoliberal international policy by proclaiming "America First" (the rallying cry of isolationist and pro-Nazi groups in the US in the 1930s), denouncing multilateral institutions such as NATO and the World Trade Organization and calling for bilateral agreements instead, and suggesting that nuclear proliferation might be desirable. Trump's consistent focus on curtailing immigration to the US is contrary to the interests of key sections of US business, which depend on immigrant labor.

While Trump is often viewed as wildly inconsistent, there was a coherent strategy in the above set of demands, which amounted to a call for a right wing nationalist regime. It presented a vision of a muscular US state, with Trump at its head, solving all problems and defending "America" against its perceived enemies, domestic and foreign, and even against its long time friends who were portrayed as taking advantage of the US. This appeal contained a potentially coherent alternative economic model to that of neoliberalism. In brief, while it offered nothing that might reverse wage stagnation, the call for growing state spending on infrastructure and the

military could potentially solve the problem of who would buy the growing output of a growing economy, a problem that was unresolved in neoliberal capitalism after 2008. If household borrowing could no longer fuel economic expansion, rising state spending could fill in the gap.

Such a strategy appears unviable to neoliberal deficit hawks, who ask where the funds will come from for such a statist program. Such critics fail to understand that, in a situation of underused resources in a stagnating economy, a big state spending program can be self-sustaining financially if it expands the economy sufficiently to bring in rising tax revenues. A similar strategy in Nazi Germany in the 1930s succeeded in finally ending the long depression in Germany, as infrastructure building (the autobahn) and militarization got the economy growing again.

The ideology of nationalism is the essential glue that can maintain public support for such a regime. While the material benefits for working people are limited, such a regime seeks to maintain social peace by directing people's attention to the growing strength of the national state. Vladimir Putin gets over 80% public approval ratings, despite continuing material suffering of the majority in Russia, by his image of building a strong Russian state and restoring public order after the chaos of the immediate post-Soviet years.

Trump's right wing nationalist appeal defeated a series of extreme neoliberal opponents in the Republican primaries. Once Trump secured the nomination, he faced the need to win in the general election against Clinton. At that point, Trump's strategy differed from that of Reagan in 1980. Like Trump, Reagan challenged the Republican establishment in his primary campaign for the Republican nomination for president. Like Trump, Reagan was not supported by the traditional big business backers of Republican candidates, who supported George H. Bush in the 1980 primary contest. Reagan's big money backing came primarily from new rich Southwestern business interests. However, once Reagan had won the Republican nomination, he abandoned policies such as trade protectionism which had alienated big business and actively courted -- and

received -- wide backing from big business in the general election.

By contrast, Trump did not change his right wing nationalist proposals -- and did not win over big business. Instead, he added new appeals to gain the votes of the parts of the electorate that had supported the Republican candidates McCain in 2008 and Romney in 2012. Trump, whose lifestyle and past stands on social issues led to some hesitation among the crucial base of conservative Christian voters, called for an end to "persecution" of Christians and sounded themes of "traditionalism" on social issues including abortion. He promised big tax cuts and denounced excessive government regulation. He was able to solidify support from most of the constituencies that had voted for McCain and Romney. Now he just needed to win over working class voters who were desperate for change. He did that by hammering away on his promise to boost US manufacturing and energy production, by stressing his opposition to the "elite," and by glorying in the attacks on him from the mainstream media.

Stage three of the emerging Trump regime began after he had won the general election. Now he faced a Republican Congress filled with hard core neoliberals and social conservatives -- a Congress with significant political power. In the U.S. system the President is powerful but, apart from during major wars, is not all-powerful. An examination of Trump's initial appointments to top positions suggests a continuing commitment to building a right wing nationalist regime, but with significant modification of his pre-election stance in the area of domestic economic policy aimed at winning over a skeptical Republican Congressional majority.

Trump's high level appointments fall into six main categories. First, there are the generals. Trump named retired generals to be National Security Adviser, Secretary of Defense, and Secretary of Homeland Security. He also named a former Navy seal to be Secretary of the Interior. Second, there are a few right wing nationalist ideologues, not in cabinet positions but as close official advisors: Steven Bannon as Senior Counselor and Stephen Miller as senior advisor for

policy. Third, he named four representatives of sections of big capital: Rex Tillerson, CEO of ExxonMobil, as Secretary of State; Stephen Mnuchin, the head of a big hedge fund, as Secretary of the Treasury; Wilbur Ross, head of a private equity firm and takeover specialist, as Commerce Secretary; and Gary Cohn, President of Goldman Sachs as Director of the National Economic Council. In addition, he named a hard-right fast food executive (medium size capital) for Secretary of Labor, Andrew Puzder, although Puzder was forced to withdraw after the revelation of a charge of spousal abuse and the hiring of an undocumented employee. Fourth, he appointed trade nationalists to the posts of US Trade Representative and head of the White House national Trade Council. Fifth, he named several long-time right-wing Republican politicians such as Jeff Sessions as Attorney General, Rick Perry as Secretary of Energy, Reince Priebus as Chief of Staff, Mike Pompeo as CIA Director, Dan Coats as Director of National Security, and Sonny Purdue as Secretary of Agriculture. Finally, the greatest media attention has gone to appointees who are hard core neoliberals named to key regulatory, economic, and social agencies: Scott Pruitt as head of EPA, Walter Clayton as head of the SEC, Ben Carson as Secretary of Housing and Urban Development, Mick Mulvaney as Director of Office of Management and Budget, and Betsy DeVos as Secretary of Education.

The naming of right wing politicians to the cabinet has characterized every Republican presidency in the neoliberal era. The same holds for the appointment of extreme neoliberals to key regulatory and economic and social policy posts. However, the latter category of appointments suggests that Trump compromised on one key part of his campaign appeal once in office. Campaigner Trump promised to protect social security, Medicare, and other social programs, and while he endorsed deregulation he did not emphasize it. It appears that President Trump, cognizant of the need to keep Congressional Republicans in line and avert a rebellion among them, adopted much of the neoliberal agenda for domestic economic and social policy. This undermines the so-

called "populist" aspect of Trump's popular appeal, as well as the economic coherence of his right wing nationalist program that seems now to be shorn of its statist economic policies.

The comparison to the appointments in the first terms of Reagan in 1981 and G. W. Bush in 2001 is instructive. There are some similarities. Reagan named determined deregulators to head the EPA (Ann Gorsuch Buford) and Interior Department (James Watt) in 1981. Both drew widespread condemnation in the media. Bush did likewise, naming hard core neoliberals to the Education Department (Rod Paige) and Interior Department (Gale Norton). In August 2001 the Wall Street Journal ran an article under the headline "Regulatory Rollback Under Bush Has a Major Impact on the Economy." Both Reagan and Bush named right wing politicians to key posts. Thus, although Trump may have set a record for the number of appointees to domestic economic and social policy positions holding extreme views, there was precedent in both Reagan's and Bush's appointments.

Along other dimensions, Trump's appointments represent a break from past Republican administrations in the neoliberal era. First, both Reagan and Bush named some moderates to high positions. Reagan chose George H. Bush as his Vice-President. For chief of staff Reagan chose a moderate long-time political activist, James Baker. For secretary of Health and Human Services he chose Senator Richard Schweiker, a moderate Republican who protected the Public Health Service and Headstart. Reagan named an African American Republican moderate, Samuel Pierce, as Secretary of Housing and Urban Development. In 2001 Bush appointed a number of moderates, including Christine Todd Whitman as head of EPA, Tommy Thompson as Secretary of Health and Human Services, and Democrat Norman Mineta as Secretary of Transportation. Trump did not name a single moderate to a high position, with the possible exception of Elaine Chao, a long-time federal government bureaucrat, as Secretary of Transportation. This shows a consistent aim for a right-wing administration devoid of compromise with more centrist elements of the Republican

establishment, although it also may reflect the rightward drift of the Republican party in the Obama years.

Second, Trump stands out for naming 3 retired generals to top positions in national security affairs. Reagan named one retired general, Alexander Haig, as Secretary of Defense, but Haig had long record of government service after retiring from the military, having been a Kissinger aide and then chief of Staff in the Nixon Administration. Bush's Secretary of State, Colin Powell, was a retired general but also a well-known moderate political figure in the Republican party. Trump's military appointees had no previous political experience outside the military. The reason for this unusual departure is not clear, from a President who had belittled "the generals" during his campaign. It may not be far-fetched to think that Trump hoped that, if there arose a political showdown over the unorthodox direction of his administration, having several generals in key national security posts would solidify Trump's support from the armed forces. Another possibility is that the training of career military officers to obey orders from above might be appealing to a President who seems to fear opposition from within the government.

Third, the appointment of two trade nationalists is consistent with an intention to follow through on a key feature of the right wing nationalist program. All the important economic policy officials in previous Republican (and Democratic) administrations favored free trade and so-called free trade agreements.

Fourth, the representatives of big capital in the Trump Administration are particularly interesting. No presidential administration in the capitalist US can hope to be effective under normal conditions without support from a significant section of big capital (although the New Deal period in the 1930s was an exception). Since Trump won the election without support from the main centers of big capital, his appointments of representatives of big capital might provide insight into the plan for constituting a big capital base for the new right wing nationalist regime.

In 1981 Reagan named six high officials with strong connections to big capital, of whom two were from construction, two from old line Wall St firms, one from manufacturing, and one from agribusiness. In 2001 Bush also appointed six big capital affiliated high officials, of whom two were from pharmaceuticals, one from General Motors, one from Lockheed, one from aluminum monopolist Alcoa, and one from oil. Thus, Reagan mixed old line Wall Street with productive capital and Bush mixed productive and extractive sector capital. Trump's big capital affiliated nominees are different.

Of Trump's four appointments from big capital, two, Steven Mnuchin at Treasury and Wilbur Ross at Commerce, are representatives of "speculative capital," a sector of capital not previously elevated to high government positions. This section of big capital makes profit, not by producing or even by engaging in commerce or traditional financial activities, but by the buying and selling of assets aimed a quick profit from capital gains. Such actors are often confused with the financial sector as a whole, but their role is different. Speculative capitalists became a significant factor in the US economy with the rise of the corporate form of business organization in the nineteenth century, exemplified by the celebrated scoundrels Jay Gould and Daniel Drew. Big bankers led by J.P. Morgan viewed such actors, who essentially steal from other capitalists, as mortal enemies of an orderly and monopolized corporate sector.

Speculative capital, whose economic role is destructive rather than constructive even relative to the logic of capitalism, has been marginalized during periods of active state regulation of business and finance, such as the post-World War II decades. However, periods of relatively free-market deregulated capitalism have seen the rapid expansion of the role of speculative capital -- this happened in the late nineteenth century, in the 1920s, and in the neoliberal era since around 1980. Over the course of the neoliberal era, this previously marginalized group mushroomed, partly in the form of new institutions such as private equity firms and hedge funds. Furthermore,

the very high profits from speculative activity increasingly drew in, to a greater or lesser extent, the established financial institutions, although the giant banks retained their traditional activities such as making conventional loans to business and households.

A third big capitalist in the Trump Administration is Gary Cohn, former head of Goldman Sachs. While he can be taken as a representative of old line financial capital, his role as Director of the National Economic Council has been a circumscribed one of occasionally commenting to Trump, when asked, about various economic questions. After many publicized disagreements with Trump, Cohn was finally forced out of his position on March 6, 2018.

Some analysts have portrayed the Trump cabinet as filled with Goldman Sachs people, but that is misleading. Goldman Sachs is essentially an old-line investment bank, dating to the nineteenth century. Investment banks specialize in arranging bond and stock issues and corporate mergers. When the financial crisis struck Goldman became a bank holding company to get under the protective wing of the Federal Reserve, but it does not rank even in the top ten banks in the US. Goldman was an important participant in the creation of new high-risk mortgage backed securities in the 2000s, and it has a history of contributing executives to high government positions. An example was Robert Rubin, who after 26 years at Goldman became arguably the most influential economic policy advisor in Clinton's Administration and eventually the Treasury Secretary. Late in GW Bush's second term, another Goldman Sachs CEO, Henry Paulson, became Treasury Secretary, just in time to preside over the government bailout of his old firm.

Gary Cohn, the head of Trump's National Economic Council, follows that tradition, although as noted above, he has not been very influential in the Trump Administration. Several other Trump appointees were at one time employed by Goldman, and this has been cited to claim that Trump's cabinet is the same old Wall St. folks. However, that claim is not persuasive. Steven Mnuchin, the new Treasury Secretary, spent 17 years at Goldman, but he left in 2002 to run his

own hedge fund, then took over a failed West Coast mortgage company that became a notorious mortgage foreclosure machine under his leadership. Walter Clayton, Trump's SEC head, is a corporate lawyer at Sullivan and Cromwell, which represents countless big banks and corporations. That one of Clayton's many clients in the past was Goldman does not make him a representative of that firm. Steven Bannon, who was a top policy advisor to Trump in the campaign and the White House until Trump fired him in August 2017, had worked at Goldman, but left in 1990 to pursue a series of diverse interests before landing at the alt right website Breitbart News. Bannon does not represent any big capital interest but rather seems to be a serious ideologist who sought to steer Trump in building a right wing nationalist regime.

Trump's fourth big capital appointment, to the top cabinet post of Secretary of State, was Rex Tillerson, CEO of ExxonMobil, who lasted in office until March 13, 2018. Tillerson followed a conventional big oil management career, rising through the ranks at ExxonMobil to finally gain the top position. As CEO he specialized in striking deals for global oil exploration and production. ExxonMobil, by far the biggest US oil company, is primarily a producer of crude oil, that is, it is mainly extractive sector capital. Trump has consistently emphasized the expansion of oil and coal production as a key goal. Thanks to the development of fracking technology, the long decline in US oil production was reversed, promoting the US to one of the top three oil producing nations, along with Saudi Arabia and Russia.

One can argue that it is in oil production that the US has one of its greatest relative advantages in the global market. Perhaps Trump sees the path to US global strength as requiring expansion of US oil exports, which would indicate that the Administration needs firm ties to the US oil sector of capital. Tillerson's previous friendly relations with the Russian government also would recommend him for the post. Selling crude oil in the world market does not require any special influence over importing states. Rather, what counts is the price. An aim of boosting the

current low price of oil would be served by cooperation with the other leading oil producing states, that is, Saudi Arabia and Russia -- both countries whose governments Trump treats kindly. The repressive regimes in those two states are not a problem for the would-be authoritarian ruler Trump.

Indeed, Trump's apparent admiration for Vladimir Putin makes sense if one assumes that he admires Putin's success as a right wing nationalist ruler. Putin, with unchallenged power and popular approval, is a role model for Trump. Putin is famous for flying into a Russian industrial city where the big enterprise had just announce large layoffs. Putin forces the CEO of the enterprise to stand at attention, with head down, while Putin demands that the workers be recalled. With the TV cameras rolling, the CEO meekly agrees and apologizes for his mistaken layoffs. Putin flies back to Moscow, leaving behind the promise of a few hundred million rubles to cover the cost.

It seems likely that Trump is seeking to establish a big capital base in speculative and extractive sector capital. No manufacturing executive made it into Trump's initial cabinet, and only one traditional financial capital representative was given a position, seemingly without great influence. Extractive capital is a particularly reactionary and anti-social wing of big capital. Speculative capital is more amorphous in its political interests -- as long as it is free of regulation, it finds ways to make high profit from activities that produce nothing useful whatsoever. Some speculative capitalists, such as George Soros, promote left of center policies, while others are spectacularly right wing. Trump himself has a career that, while officially in real estate development, reputedly has been significantly based on stealing from employees and suppliers through deft use of the bankruptcy laws -- a practice with some affinity to the modus operandi of the speculative capitalist.

It was suggested above that the political power of the Congressional Republicans had pushed Trump to give up the "populist" and statist economic side of his platform. Trump's much

touted infrastructure investment program first was delayed, then finally emerged in January 2018 as proposal with little new federal money, dependent on financially-strapped state and local governments and private investors to come up most of the funds. It turned out to be a privatization program rather than a genuine public infrastructure building program. Analyses of the overall Trump budget proposal found that it would actually reduce federal infrastructure spending, not increase it.

This suggests the development of a right wing nationalist regime wedded to extreme neoliberal economic policies, rather than statist ones. While some right wing nationalist regimes clearly provide social welfare programs for the people, such as those of Modi in India and Erdogan in Turkey, Putin's Russia is a right wing nationalist regime with neoliberal economic policies. This would be the worst of all worlds. That combination would perpetuate economic stagnation in the core economy of the US as well as bringing more pain to ordinary people through the loss of social programs. Rising oil prices might generate large flow of revenue that could partially mask the economic decay, as was the case for Russia in the first decade of this century, but that is not a promising development path for the US.

#### **4. Obstacles to Installation of a Right Wing Nationalist Regime**

While the economic and political conditions are present for the emergence of a right wing nationalist regime in the U.S., favorable conditions do not always lead to the expected political outcome, as those of us on the left well know. There are serious obstacles to the successful consolidation of such a regime led by President Trump. First, there is the stubborn fact that, while most Republicans welcomed Trump's election victory in November, the Republican-dominated Congress has few real supporters of right wing nationalism. The Republican legislators are a mixture of deregulators, free marketeers, enemies of the welfare state, cutters of taxes for the rich and big business, militarists, balanced budget fanatics, and retrograde social engineers (focused on

abortion, contraception, etc.), along with a smattering of old-style Republican centrists and moderates. With only a narrow Republican majority in both houses of Congress, this appears to be a recipe for more gridlock, as was demonstrated in the failed attempt to repeal the Affordable Care Act, although a big tax cut was narrowly passed in December 2017. Congress is potentially powerful in the US political system, and the installation of a right wing nationalist regime would require that Trump be able to dominate the Congress and compel it to endorse and enact his agenda -- which seems unlikely at this time.

Second, so far most of big capital, the major mass media, and the traditional power elite of revolving door high level government officials have not thrown their support behind Trump. It appears that they have not bought into right wing nationalism, which poses problems for the economic interests of most of big capital. Trump's personal idiosyncrasies -- his unpredictability, his bizarre statements, his calls for abandoning long-standing US-dominated international institutions -- also worry those groups. A right wing nationalist regime must be based on a strongman ruler who marginalizes all opposition. Such a regime cannot coexist with mass media that are constantly on the attack. It is understandable that Trump indicates a desire to muzzle the media. His idol Putin did that by getting his oligarch friends to buy ownership of the opposition mass media, turning them into mouthpieces for the regime. Trump seems so far to lack the means to bring the mass media to heel.

Third, Trump faces the problem of resistance in various forms within the bureaucracy of the federal government. Trump was able to achieve victory in the primary contest and the general election by winning over just enough voters with a contradictory set of appeals. However, ruling - - exercising political power -- is a different enterprise from winning elections. To rule as a right wing nationalist strongman, Trump needs an organizational instrument to carry out the policies. The available instrument is the executive branch of the federal government. Trump does not have

a right wing nationalist political party or movement whose cadres would be ready to fill the federal bureaucracy -- a process that would be difficult in any event given civil service protections of most of the bureaucracy. It appears that many of those who have careers in the executive branch are outraged by Trump's policy direction.

Fourth, the US constitution created a federal system with separation of powers. Significant centralization of power in the executive branch occurred with the rise of big capital in the late nineteenth century, and executive powers expanded further when the US emerged as the dominant imperial power after World War II. However, Congress and the courts remain the repositories of significant political power, with Congress empowered to throw out the president under certain conditions. On some issues state governments can make their own policies, and two of the three biggest state governments -- California and New York -- have dug in against the Trump agenda. Bannon can rave about the deconstruction of the administrative state, but the right wing nationalist project is difficult to carry out in the face of the decentralized character of US governance institutions. We have already seen this in the courts' blocking of two successive anti-immigrant measures. Many wondered whether the Trump administration would simply ignore the court orders, but it turned out his coterie was not prepared to take that dangerous step at this time.

Fifth, traditional U.S. culture poses obstacles to the consolidation of a right wing nationalist regime. There is a strong individualist and even anti-authoritarian strain in U.S. culture that would make it difficult to impose a strongman regime here. The right wing resurgence in recent years has been symbolized by a "Don't tread on me" mentality. Hitler had the advantage of a culture of respect for authority, which is absent in the US, at least in normal times. Even the U.S. armed forces have faced challenges from the anti-authoritarian streak in U.S. culture, which predates the highly publicized reluctance to "engage the enemy" by U.S. troops during the Vietnam War. A former member of the Hitler youth once expressed to this author his amazement in 1945 that he

found himself watching the US army marching into Berlin. He said "The troops were so disorganized, they wouldn't even salute their officers. I asked myself, 'How could this army have defeated Germany?'"

Last, but not least, Trump's right wing nationalist agenda has energized and activated masses of people. Huge protest demonstrations, and the flooding of local meetings in Congressional districts around the country by angry constituents, have put the Trump administration on the defensive. This tends to stiffen the backbones of the Democrats in Congress and in state governments. If the popular opposition continues at a high level, it will begin to worry the representatives of big capital, who are always attuned to the potential dangers for their interests in a big popular mobilization.

### **5. The Role of the Left**

What the US left does in this context matters in a way that is new. This is a turning point for the US and for the world. The insights from analysis of this conjuncture, together with the lessons of history, can offer guidance to the left in this challenging and dangerous moment.

To restate the case, the basic situation is as follows. A would-be right wing nationalist strongman has seized the office of the president. This was made possible by the popular suffering from a long period of neoliberal capitalism, intensified by an economic crisis and economic stagnation. The long ruling elite has been delegitimized among a large part of the population. President Trump is unlikely to be able to consolidate a right wing nationalist regime in the coming years. We are seeing an effort to deepen neoliberal policies in most areas, an effort that might just lead to gridlock, but if it succeeds it will only intensify the stagnation and the retrograde economic trends of the recent past. The conditions that are destabilizing the existing system in the U.S. will remain -- a condition that also likely would have persisted had Hillary Clinton won the presidency. If present trends continue, in 2020 another even more dangerous would-be right wing nationalist

strongman is likely to appear and contend for power, one without Trump's negative personal features and with a keener understanding of how to exercise political power. Despite the obstacles facing Trump's drive to install a right wing nationalist regime, the danger of just such a development will remain a real one as long as the conditions that pushed Trump into the White House remain.

However, right wing nationalism is not the only direction of change that is promoted by the current conditions. These same conditions bring an opportunity for the emergence of a contender for the presidency on the left. Bernie Sanders' left social democratic reformist stance won a lot of support in the primaries. A recent Fox News survey found Sanders to be the only leading political figure with over 50% positives, at 62%. Either Sanders himself or someone occupying that political space is likely to be a strong contender for the Democratic nomination for president in 2020.

How can the socialist left navigate this conjuncture? Social democracy is not socialism. Should the socialist left focus on the need to replace capitalism with a system based on meeting human needs and wants in an environmentally sustainable manner? Or should we throw our support behind another period of progressive reform of capitalism such as might emerge under a somewhat leftist Democratic President?

A period of progressive reform of capitalism is an alternative path to resolving the system-crisis of neoliberal capitalism -- a path that has emerged before from an economic crisis of lasting stagnation, as was noted above. If another capital-labor compromise arose that led to wages rising in step with labor productivity -- a sharing between capital and labor of the gains from technological advance -- the economy could enter a period of stable economic expansion, with rising consumer demand financed by after-tax income instead of the debt-fueled consumer demand of neoliberalism. The state would undertake a serious infrastructure rebuilding program along with

promotion of conversion to an environmentally sustainable economy based on renewable energy and more resource-efficient modes of production and transportation.

History suggests that progressive reform of capitalism never comes from a "far-sighted" capitalist class and its representative. Such reform occurs when the capitalists face a serious threat to their core interests, causing reform and compromise to appear as better than the alternative. The reforms of the Progressive Era in 1900-16 were stimulated by a powerful anti-monopoly movement based among small farmers and part of the middle class, along with the more dangerous threat of a growing Socialist Party that was winning local elections and calling for the nationalization of the means of production. Theodore Roosevelt became an avid reformer as he worried about the "Socialist Threat." Thirty years later a member of the same extended family, Franklin D. Roosevelt, was prodded by a militant trade union movement, in which Communists played a leading role, to initiate a major reform of capitalism with a full-blown capital-labor compromise, collective bargaining for workers, a welfare state, and a commitment to using Keynesian policies to keep the unemployment rate low. Apart from a few exceptions, big capital did not buy into the New Deal program until after World War II, when socialism seemed to be on the march around the world and the capitalists realized that something had to be done to stop it.

The third possible direction of change, besides right wing nationalism and progressive reform of capitalism, is a transition beyond capitalism to a socialist system, one in which production is guided by human wants and needs, both individual and collective, instead of the profit motive of a small class of owners of capital. We have learned a few things since 1917, among them the need for socialism to empower the people rather than just deliver some goods to them, and that priority must be given to building an economy that is environmentally sustainable. The critical need to move quickly to an environmentally sustainable path might not even be possible within capitalism, with its powerful profit and accumulation drive, but it would be possible under

socialism. Such a transition would resolve, not just the crisis of neoliberal capitalism, but the many contradictions of the inhuman system of capitalism that has long since outlived its usefulness.

A key lesson shouts to us from the last crisis of a liberal (free-market) form of capitalism, that of the 1930s Great Depression. As was noted above, that crisis gave rise to all three of the above discussed directions of change. A key factor that led to either fascism or progressive reform of capitalism in Europe and the US was the role played by the left in that era. In Germany the Communists and the centrist Social Democrats failed to work together, giving Hitler his opportunity to gain state power. In the U.S. the Communist Party actively supported the New Deal, pulling it to the left and facilitating the marginalization of the nascent fascist movement.

Many New Leftists of my generation have criticized the failure of the US Communist Party (CPUSA) to focus on building a movement for socialism during the Great Depression, having instead concentrated its energies on building the new CIO trade unions and other reformist pursuits. In hindsight, the CPUSA's focus might have been more or less right. While the policy of center-left alliance in that "popular front" period was dictated by Moscow rather than the CPUSA itself, it happened to be the right policy for the moment in the U.S. The reformist Roosevelt Administration not only eliminated the domestic fascist threat and constructed a form of capitalism that was undeniably better for working people, it was able to ally with the USSR to crush fascism in the world, which was no small achievement.

Once again we face the threat of a new round of (neo?)-fascism, in the form of right wing nationalist regimes. The imperatives for the left are both disappointing and encouraging. While the term "socialism" may have big positives in surveys among young people, and the intellectual case for it seems powerful, there is no significant socialist movement and no militant labor movement in the U.S. at this time. Socialism is not on the agenda just yet. But neither is progressive reform of capitalism on the agenda, absent a serious threat from below.

That brings us to the encouraging part. The task of the left is to simultaneously build a socialist movement while fostering a center-left alliance to achieve the best that is achievable in this period: the defeat of right wing nationalism by fostering another period of progressive reform of capitalism. These two aims are interdependent. It is difficult to see how reform can be achieved without the building of a significant socialist movement that would strike fear into the heart of capital, and it would be difficult to build a significant socialist movement, with a real base in society, without actively participating in defeating the looming threat of right wing nationalism in the only way possible at this time, namely by helping to unite all of the forces in society that can be brought into a coalition against it.

Every organizer knows that radicalization of large numbers of people happens when they get into motion for some progressive aim, no matter what it is. As people rise up in struggle, they discover the strength of collective action. Suddenly another world, that had seemed an irrelevant pipe dream, becomes possible. The resistance to nascent fascism is already mobilizing millions of people, some of whom have never been engaged in protest activity before. In this period the left can contribute to the defeat of the threat of right wing nationalism while moving us closer to the only change that can bring about a decent society for all.