

Major miscalculations: globalization, economic pain, social dislocation and the rise of Trump

William Neil [Frostburg, MD, USA]

Copyright: William Neil, 2017

You may post comments on this paper at*

<https://rwer.wordpress.com/comments-on-rwer-issue-no-79/>

Introduction

The election of Donald Trump has come as a shock to many around the world, and in the United States as well, especially so for the cautious centrists of the Democratic Party, and surely too for its many free-trading Globalization supporters who happen to be professional economists.

Perhaps we shouldn't be so surprised. It hasn't been terribly hard, in retrospect, to fit President Trump into the prevailing political winds in Western Europe over the past decade or so, or longer: the decline of the social democratic left and the rise of the nationalist right, set against a background of economic stagnation and, for the "periphery", especially Greece, even worse, Great Depression conditions. There is no better way to illustrate the prevailing winds in Europe than to recall that Yanis Varoufakis', James Galbraith's and Stuart Holland's "Modest Proposal" of July, 2013, a wonky "New Deal" essay, containing a bundle of tools to fiscally support that suffering periphery, yet modestly designed to rely entirely upon existing mechanisms and funds, was roundly rejected. It was rejected by the complex and contradictory reality of supposedly "social democratic" Germany, perhaps better expressed as a slowly eroding social democracy for Germans only, with the mindset of German central bankers universalized in the European Union's troika of key institutions.

And we must not leave out the "cultural" side in Europe, the stark realities of recent horrific acts of Islamic Fundamentalist terrorism in multiple countries, the press of immigrants driven westward by failed states, Western globalizing and meddling in the Middle East, and a combination of all four factors in Africa. This intensification of cultural troubles had been primed for decades before that by the two tier citizenship system designed to manage the cheaper labor imported from various nations to the east. Pity and praise the nautical humanitarians of the West who are pulling the current refugees, and the bodies, out of the Mediterranean Sea. Migrations such as these, free or forced, would pose challenges, cultural and economic, to even healthily growing economies, but that is hardly the context today.

Instead, we have the "Elephant Chart" of economist Branko Milanovic making the rounds of Wall Street investors in the summer of 2016, displaying via an elephant-shaped graph the winners and losers in the new global distribution of income, 1988–2008.

* Since you're here ...

... we've got a small favour to ask. More economists and other professionals are reading the *Real-World Economics Review* than ever. But because our journal **is not kept behind a paywall nor owned by a corporate giant nor funded by the one-percent** it needs voluntary financial support from its readers. You can provide that support by paying a voluntary membership fee or making a contribution to the World Economics Association.

[Pay membership fee →](#)

[Make a contribution →](#)

Western Europeans may have been used to thinking of “cultural reactions” to modernity as a phenomenon limited to the United States (and the Middle East). And indeed, the rise of its Religious Right in the 1970s and its marriage of religious fundamentalism to “market fundamentalism” in the succeeding decades, a union which found a mostly happy home in the Republican Party, was a uniquely American “melding”. The union gave rise to the home base and all that has been meant by our infamous “culture wars”.

This marriage has its contradictions, however, between its fundamentalist, evangelical religious base and its free market business community. It requires a grand intellectual fog to obscure the fact that the “manic” pace of technological change, the heart of capitalism’s Creative Destruction, will also disrupt the moral universe behind the existing social structure, perhaps no better illustrated than the gap between a New York real estate mogul’s lifestyle and the conservative Christians who endorsed him in exchange for key “cultural” policy pledges. The late Sheldon Wolin (1922-2015) wrote of these contradictions in 1980, evaluating the Reagan coalition:

“The destruction of traditional values is also the condition for the innovating economy to operate freely. The modernizing economy is voracious, not only of natural resources, but of the traditional human resources summed in traditions: resources of skill, craftsmanship, domesticity, personal ties, and common morality.”

Yet much of the same American ground of cultural reaction can be found, with proper continental adjustments, in the work of French author Michel Houellebecq, beginning with his 1998 novel *The Elementary Particles*, and called to the attention of American readers in April, 2015 via a review of his new novel, *Soumission*, which had been sweeping France up in a grand national identity controversy, about the book’s plot: the election of a Muslim French President. In the *New York Review of Books* Mark Lilla has a complex take on what it means; ours is that out of “late” Western civilization’s “decadence” and fragmentation comes a yearning for moral order and discipline from a powerful leader.

That’s not so different than the conclusion of David Harvey’s brilliant 1990 summary of the vast Western cultural confusions towards the end of his book *The Condition of Postmodernity: An Enquiry into the Origins of Cultural Change*. Harvey is one of the most gifted writers about late modern capitalism, and Globalization, winning praise even from the *Financial Times* for his 2010 book *The Enigma of Capital*. Harvey’s traditional yet sophisticated Marxism had been strained by the babble of controversies emerging in the art world and college English departments, substitutes for real world debates inside the declining left. Here he comments on the bafflement visited on Western intellectuals by the “deconstructionists”; the note, “Trump, 2015”, at the bottom of the page must have been written in the late fall of that year:

“...deconstructionism ended up, in spite of the best intentions of its more radical practitioners, by reducing knowledge and meaning to a rubble of signifiers. It thereby produced a condition of nihilism that prepared the ground for *the re-emergence of a charismatic politics* and even more simplistic propositions than those which were deconstructed.”

Harvey has understood what too few conventional economists and globalizers have not: that technological change, the “Creative Destruction” at the heart of the process of capitalism’s Globalization, largely American driven, is a very Janus-faced force: unifying through its vast

new nation- spanning supply chains, yet threatening cultural chaos and fragmentation by its micro-specialization, and destroying any sense of predictable careers and employment stability, as Richard Sennett so eloquently reminded us in his 1998 book *The Corrosion of Character: The Personal Consequences of Work in the New Capitalism*. His closing sentence was a haunting warning of pending troubles in Neoliberalism: “But I do know a regime which provides human beings no deep reasons to care about one another cannot long preserve its legitimacy.”

Almost 20 years later, the cracks in that system are growing wider.

Both Harvey and Sennett were preceded by historian Carl Schorske’s 1980 book, *Fin-De-Siecle Vienna: Politics and Culture*, which Harvey cites early in *The Condition*, quoting Schorske as to Vienna’s “ruthless centrifuge of change” and noting that “not only the producers of culture, but also its analysts and critics fell victim to the fragmentation”.

What Harvey did not cite, however, was a later chapter in Schorske’s prescient, depressing book, Chapter Three, “Politics in a New Key: An Austrian Trio”. Schorske is talking about the rise of a new “visceral” politics in the persons of Georg Von Schonerer, Karl Lueger and yes, even Theodor Herzl. The worst of these, the eventual anti-Semitic Mayor of Vienna, was Karl Lueger, but all had been rising inside the growing nationalisms bubbling up in the twilight years of the Austro-Hungarian Empire, 1890-1914.

Schorske sees something else, in “each of these political artists...” – that they “grasped a social-psychological reality which the liberals could not see. Each expressed in politics a rebellion against reason and law which soon became more widespread.” And in Karl Lueger’s climb, and his vicious rhetoric, Schorske foretells something more, a “dress rehearsal” for what would follow in Germany, 1919-1933. To be more precise, and useful for contemporary problems, what the cautious, rational, incremental (economically laissez-faire believers, classical liberals in Polanyi’s sense, ancestors of today’s Neoliberals) liberals could not grasp was that social strains and the rise of mass politics had opened up a new, emotionally charged pathway of communication between political leaders and citizens. It leaves us still with the unanswered, haunting question for the left: why is the political right able to exploit this pathway, but not the left, the National Socialists in Germany in the 1930s, but not the older SPD, the Social Democratic Party of Germany?

Before Bernie Sanders, perhaps the last time the left in America was infused with emotion, as well as the participation of a good part of rural Protestantism, was in the 1896 campaign of William Jennings Bryan.

If there is any common denominator to the commentary in America, before and after the election, it is the worry that our politics may never be the same again. More specifically, the recognition was that Trump had driven through so many conventional barriers against personal invective, the overt demonizing of multiple “others” – feminists, Hispanic immigrants, blacks, the handicapped, the press itself, now the courts, indeed, most of what has been building during decades of the Culture Wars between the Left and the Right – that it left half of the nation or more wondering whether political decency, and civility, could be restored.

President Trump cannot be understood along any one plane of analysis. There is much going on in the world and inside the United States which prevents easy unitary explanation. That is why both the cultural and the economic dynamics, and their interactions, are important.

Trump's campaign displayed both directions about equally, with his emphasis on white, blue collar de-industrialized workers in the old rustbelt cities of the upper Mid-West seeming to have given him the edge in the Electoral College. (Wesley Yang's piece in *Harper's* magazine, "American Nightmare," and Mike Davis' in *Jacobin*, "The Great God Trump and the White Working Class" are particularly insightful.)

Yet that already shockingly divided Electoral College map tells us something few have mentioned: it was exactly the map, and results, which George Wallace was seeking in 1968, and 1972, but could not achieve. It was sought by others too, pushing towards the eventual Republican Right achievement under Ronald Reagan, expressed by advisor Richard Wirthlin in a 1980 campaign memo:

"...the goal was to break up the coalition that had supported the Democratic Party throughout the post-war years by winning the votes of 'Southern white protestants, blue collar workers in the industrial states, urban ethnics, and rural voters'."

We have held, for a number of years now, two competing narratives about the course of American political economy over the years. One is focused on the decade of the 1850s which led to the American Civil War, when the visions for the country could not be reconciled even by the American genius for legislative compromise; the other narrative is more international in focus, the unhappy ending to what is viewed as the first great age of Globalization, the long 19th century, which Karl Polanyi tells us did not end finally until the collapse of fascism in 1945.

That first narrative, leading to the American Civil war, has its themes, unfortunately, appearing in a still running act, which can be summarized, at some risk, under the contemporary heading of the "Southernization of American Politics".

The second narrative is captured in Karl Polanyi's *The Great Transformation: The Political and Economic Origins of Our Time* (1944). In seeking to understand the rise of fascism in the 1930s, Polanyi tells us to look back to the classical economists whose work paved the way for the Industrial Revolution in Britain, and the near religious intensity with which their free markets were urged upon first Britain, and then the whole world during that long 19th century.

Behind both narratives, the defeat of the slavery south in 1865, and the collapse of capitalism in the West, 1929-1932, lies a story of intense economic pain, without which what followed is not fully comprehensible. And that story of economic pain and social dislocation also applies to the very founding of modern capitalism and its "Creative Destruction", 1790-1850, and especially the terrible decade of the 1840s.

In very important ways then, understanding what is happening in Western Europe today, and grasping the motor force behind the election of Donald Trump becomes an exercise in understanding, and measuring, economic and social pain. Surely their importance must be highlighted, given the dynamics of the American Presidential campaign. That campaign saw both Secretary Clinton and President Obama touting the success of his policies to tame the Great Recession of 2008-2009, and the good basic numbers of low unemployment and low inflation, and the determined, somewhat defensive assertion that "America never stopped being great." This was in sharp contrast with Donald Trump's relentless portrait of a country in deep economic pain, and his pledge to "Make America Great Again", to bring back the lost

industrial jobs, rework the terrible “trade deals”, and much more. Senator Bernie Sanders’ strong challenge to Secretary Clinton in the Democratic primary shared several of the major economic themes of the Trump campaign, but little else – except the challenge to the party establishment.

There are endless takes on what finally turned the election for Trump. Perhaps Naomi Klein of “Capitalism vs. the Climate” essay fame summed it up most succinctly on November 9, the day after the election:

“It was the Democrats’ embrace of neoliberalism that won it for Trump... Trump’s message was: ‘All is hell.’ Clinton answered: ‘All is well.’ But it’s not well – far from it.”

We now turn to that pain, globally and in Western Europe, and then to a closer look at it in America.

Warnings: a world of economic hurt and social disruption

For a world overview, let us visit briefly with former banker and prolific author Satyajit Das, whose most recent book was renamed, for the American market, *The Age of Stagnation: Why Perpetual Growth is Unattainable and the Global Economy is in Peril* (2016). In some ways it marches step-by-step along with Robert Gordon’s much quoted *The Rise and Fall of American Growth: The U.S. Standard of Living Since the Civil War*, also published in 2016. Das recognizes Gordon’s now famous “headwinds” slowing the growth in US productivity: demographics, declining educational attainments, rising inequality, the effects of globalization, environmental costs, and the debt overhang. These headwinds are the basis for Gordon’s alarming projection of just a 0.2% growth rate, lower even than the “modest 1.8 percent of 1987-2007”.

Das presents a remarkable range of citations and information. Lest his readers wallow for too long in the dismal predictions of Gordon, he cheers them up by noting that John Steinbeck, in *Grapes of Wrath* (1939), observed that “when the monster stops growing, it dies. It can’t stay one size”. Lest he sound too uncritical in lamenting the growth stagnation, though, he consoles environmentalists with Edward Abbey’s “warning: ‘growth for the sake of growth is the ideology of a cancer cell’.”

Although to the best of our knowledge it didn’t get cited during the Trump campaign, India has been, for more than a decade, building a 2,100 mile wall along its border with Bangladesh, with two purposes, says Das: to keep out “illegal immigrants,” and “future Bangladeshi climate refugees”.

Das has a powerful summary sense of where the world is poised, with slow growth and limited investment opportunities straight-jacketing most of the globe, India perhaps excepted, but not yet large enough to make up for China’s slowing. There is no certain economic crisis looming, although we have repeatedly written that no major nation has ever industrialized without a major disruption, China being the sole exception – so far. Here is Das’ warning:

“A new crisis will be like a virulent infection attacking a body whose immune system is already compromised... Large complex systems operate at the

boundary between order and disorder. They can appear to be stable, but a sudden or small change can initiate a phase transition, which triggers a massive failure.”

It is very difficult, given the rise of the nationalist Right in Europe, and Trump’s election, not to go back and visit some of the best early warnings about the very mixed effects of Globalization. What comes to mind are William Greider’s 1997 book, *One World, Ready or Not: The Manic Logic of Global Capitalism*, and John Gray’s *False Dawn: The Delusions of Global Capitalism*, which came out one year later. It is significant to note the timing: both coming close to the high tide of American confidence in the Washington Consensus and the brief Clintonian golden years of 1997-1999, and the crisis solving skills of the Committee to Save the World: Alan Greenspan, Robert Rubin, and Larry Summers.

The striking thing about both these books is that they got most of what happened since 1997 right, about 75% of the major trends by our estimate: the coming financial crises starting in Thailand in 1997, and their spread, due to rapid flows of unregulated speculative capital; the massive occupational disruptions occurring in the global economic pecking order, and inside nations themselves; the logic of the pushback being towards the rise of economic nationalism, already foretold in the bending of American (and Western) free-trade notions, illusions, to the benefit of the Asian exporting powerhouses, first Japan and then China – nations which have invented their own rules of the game.

There is a lot of wisdom in each of these books, and they merit a careful re-reading by both professional economists and thoughtful citizens today. Both also credit Karl Polanyi’s insights into the unravelling of the last age of Globalization, and how the major dilemmas of the 1930s are back upon us again, with the basics of Neoliberalism not far removed from the straightjacket of the gold standard which bedeviled the West’s response to the events of 1929-1932.

In particular, John Gray, a witness to the ideological excesses of Margaret Thatcher’s conservative government, stresses the human need for security, especially economic security, a certain heresy when one reflects upon the very core premises of today’s economic world. That’s a world of constantly re-inventing one’s career until the day one dies – and the strong inclination of upper middle class economists and the professionalized meritocracy of the Democratic Party in the United States to solve all the economic problems of inequality via the individual’s climb through ever higher educational ladders. As author Thomas Frank has noted acidly: “Meritocracy destroys Solidarity”. Gray also was very pessimistic about the future of Social Democracy under the pressures of Globalization, the mobility of capital having robbed governments of the tools they had used to combat, in some places at least, the crisis of the Great Depression. That’s certainly the way the world looked to Bill Clinton’s eyes, and the Committee to Save the World’s too, in the late 1990s. And that’s certainly the way it appears to the Republican Right today; but the consistency of Trump’s views, much less plans, on that issue, are an open question.

Do not take our words for it; please consider a few brief passages from each author, selected for contemporary relevance. From William Greider’s *One World, Ready or Not*; we start with a quote from the old corporate guru Peter F. Drucker, whom Greider believes got the drift of the times – exactly upside down. It thus reminded us of the 2016 election stance of President Obama and Hillary Clinton: “All is well... thanks to us.”

“The extreme social transformations of this century have caused hardly any stir. They have proceeded with a minimum of friction, a minimum of upheavals... Indeed, if this century proves one thing, it is the futility of politics...” Drucker wrote.

(Greider now): “The global economy divides every society into new camps of conflicting economic interests. It undermines every nation’s ability to maintain social cohesion. It mocks the assumption of shared political values that supposedly unite people in the nation-state. That is the fundamental reason politics has become so muddled in the leading capitalist democracies. In recent years voters have turned on established parties and leaders, sometimes quite brutally, in the United States, Canada, Italy, France, Sweden and Japan, to name the most spectacular cases. Nor is there any ideological consistency to these voter rebellions...What exactly is the national interest in these new circumstances? No elected government in the richest countries, neither right nor left, has produced a definition that convinces its own electorate...”

The nationalist strand of capitalism, articulated by such eccentric figures as Italy’s Silvio Berlusconi or the populist billionaire from Texas, Ross Perot, or the Anglo-French tycoon James Goldsmith, wants to defend the home country first. Some of the nationalist strands are frankly protectionist, but patriotic capitalists constitute an important storm warning for politicians in the advanced societies. Rising nationalist emotions range from the ill-focused anxieties of the American middle-class to the darker, racist fantasies of neofascism that are gaining political voice across the nations of Europe and in some quarters of America.”

And now from John Gray’s *False Dawn*:

“New technologies make full employment policies of the traditional sort unworkable. The effect of information technologies is to throw the social division of labour into a flux. Many occupations are disappearing and all jobs are less secure. The division of labor in society is now less stable than it has been since the Industrial Revolution... The regime of laissez-faire is bound to trigger counter-movements which reject its constraints. Such movements – whether populist and xenophobic, fundamentalist or neo-communist – can achieve few of their goals; but they can still rattle to pieces the brittle structures that support global-laissez faire... Is a late modern anarchy our historical fate?”

The corrosion of bourgeois life through increased job insecurity is at the heart of disordered capitalism... the result is a re-proletarianization of much of the industrial working class and the de-bourgeoisification of what remains of the former middle classes. The free market seems set to achieve what socialism was never able to accomplish – euthanasia of bourgeois life... How can families meet for meals when both parents work on shifts? What becomes of families when the job market pulls parents apart?

America... is a country riven by class conflicts, fundamentalist movements and low-intensity race wars. Political solutions to these ills presuppose reform of the free market. It is doubtful whether such reform is a real political possibility in America today... issues of economic justice can arise only on the farther fringes of political life. Ross Perot, Ralph Nader and Pat Buchanan all traded on popular distrust of political elites... It may be a portent for the future that only in the 1996 campaign of Pat Buchanan did issues of economic justice make a significant impact on mainstream American political life. Buchanan fused issues of economic fairness with a fundamentalist culture-war and nativist hostility to the rest of the world.”

Let us now turn to a crucial question: what was the level of economic pain driving the political insurgency of Senator Bernie Sanders, and the successful campaign of Donald Trump?

America's hidden pains

We begin with some gross numbers from Das' *Age of Stagnation*: the loss of wealth from the Great Recession of 2008-2009. Citing the work of three economists at the Federal Reserve Bank of Dallas (Tyler Atkinson, David Luttrell and Harvey Rosenblum), the figures they put on the loss to the U.S. economy come to 6-14 trillion dollars, “equivalent to U.S. \$50,000 to U.S. \$120,000 for every American household, or 40-90% of one year's economic output”. We've seen figures of family distress ranging from \$20,000-\$60,000, largely representing losses in the stock market, which seem on target from direct personal experience. The other factor driving towards a more lasting economic pain are those who lost enough in straight financial terms to forestall market re-entry, matched with a psychological aversion to ever trusting it again. Additionally, pension fund retirement viability was affected by the same dynamics. These factors must be considered, as difficult as they are to quantify, to qualify the otherwise impressive performance after 2010 in the financial markets, they being supported by all the permutations known as Quantitative Easing, American and European versions.

In the fall of 2015, and in many ways now seeming to be an overlooked clue as to what was about to unfold in the election of 2016, Nobel prize winning economist Angus Deaton and his wife Anne Case (both of Princeton University) caused a sensation in the news. It was because of their research findings disclosing a dramatic rise in the death rates, by 22%, among whites 45-54 years old, among those who only had a high school degree. The dramatic mortality increase occurred in the years 1999-2014. According to the coverage and commentary in the *New York Times*, this dramatic increase in mortality rates wasn't caused by the usual suspects – heart disease and diabetes – but by “an epidemic of suicides and afflictions stemming from substance abuse: alcoholic liver disease and overdoses of heroin and prescription opioids”. Professor Deaton declared that “Only HIV/AIDS in contemporary times has done anything like this...”

Additional commentary in the *Times'* article, by Dartmouth College economists Ellen Meara and Jonathan S. Skinner, put the findings in further relevant context for our purposes here:

“The least educated also had the most financial distress... in the period examined by Dr. Deaton and Dr. Case, the inflation-adjusted income for households headed by a high school graduate fell by 19 percent.”

On the trail of further hidden economic distress, the Federal Reserve itself has been conducting surveys since 2013 entitled “Report on the Economic Well-Being of U.S. Households”. The most reported finding of these surveys, contained in the formal reports issued now annually by the Board of Governors, was that nearly half of the respondents, 47%, “said they either could not cover an emergency expense costing \$400, or would cover it by selling something or borrowing money”. In other words, almost half of American households have no personal savings or personal financial “safety net”.

As reported in an *Atlantic* magazine article by Neal Gabler in the spring of 2016, in the heat of presidential campaigning, “The Secret Shame of Middle-Class Americans”, the distress goes beyond the inability to meet small financial emergencies of \$400-\$1,000, the range covered by the Federal Reserve surveys. Gabler introduces the research of Edward Wolff, an economist at New York University who has found that “median net worth (family net worth) has declined steeply in the past generation – down 85.3 percent from 1983 to 2013 for the bottom quintile, and down 63.5 percent for the second-lowest quintile, and down 25.8 percent for the third, or middle, quintile.”

So we are getting closer now, much closer, to answering two of our key questions: how much economic pain is “out there” in America, and how do we explain the divergence between the good “formal” economic numbers of low unemployment (under 5%) and very low inflation (2.5% average for 2016) touted by the President and his “heir apparent,” Secretary Clinton, and those remarkable pre-election poll numbers showing 70% or more Americans feel the nation is on “the wrong track”. Economist Wolff, from NYU, summarizes the crux of the matter this way: “... the typical American family is in ‘desperate straits’.”

This would be bad enough, the precarious imbalance in American household finances, which must be coupled with what William Greider and John Gray have told us is also a permanent sense of precarious employment and career uncertainty, the result of nearly four decades upheavals in production and distribution methods, and labor markets world-wide. But we have also called attention to the role of cultural upheaval in our search for the reasons underlying the triumph of Trump in 2016. While economists are likely to have a strong inclination to keep the two strands of reasoning quite separate, our contemporary dilemmas and a fuller interdisciplinary methodology calls us to inquiries resting on a broader foundation.

What we have in mind is what author and TED talk guest speaker Hannah Rosin explored in her book and lectures under the title *The End of Men: And the Rise of Women* (2012). The essence of her argument is that women are eclipsing men in educational attainment, in the ranks of middle management, and in founding new businesses, relying in part on their “traditional” interpersonal skills and sensitivities. We should note, as she does, that this does not mean the end to the glass ceiling still firmly in place for most of the highest institutional perches of the 1%. After all, Satyajit Das, wearing his financial journalist hat for us now, reports that women make up only about 20% of the attendees at Davos, such as it is: the actual historical location, full of ironic portent, for the setting of Thomas Mann’s novel, *The Magic Mountain* (1924).

The ground covered by Rosin, a skillful public speaker, seems pretty solid; unfortunately for men, this substantial rise and improvement for the freedom and careers open to women, has come at a time when the traditional careers for men in the declining industrial economy have had the bottom fall out. Thus the dramatic shifting in gender roles which has continued from its start in the 1960s, also covers the decades of demise for blue collar workers, especially in

the 1970s, as documented by Judith Stein's *Pivotal Decade: How the United States Traded Factories for Finance in the Seventies* (2010) and Jefferson Cowie's *Stayin' Alive: The 1970s and the Last Days of the Working Class* (also 2010).

These books describe, in painful detail, the initial shifts inside the Democratic Party away from labor's hopeful agenda for a new New Deal as portrayed through the fumbling of the Carter administration, thoroughly unenthused about Labor Law reform, Industrial Policy and Full Employment guarantees, and also Health Care reform. Instead, the new directions were disclosed by mighty efforts for de-regulation of the airline and trucking industries and the decidedly non-nationalist effort to cede the Panama Canal back to Panama. We shall say no more about these complex matters, other than to suggest the dynamics from a very likely scenario: of a husband coming home with a plant closing notice only to find that his wife has received a Small Business Administration loan to open a thrift shop on Main Street in Youngstown, Ohio.

Youngstown, Ohio was ground zero for the disaster which befell the entire Mahoning Valley: the demise of the steel industry, the shedding of 50,000 jobs, 1975-1985. George Packer, in his 2013 account *The Unwinding: An Inner History of the New America*, tells us that

“if the institutions and the people who led them had understood what was about to happen to Youngstown, and then to the wider region, they might have worked out a policy to manage deindustrialization instead of simply allowing it to happen.”

Instead,

“between 1979 and 1980, bankruptcies in Youngstown doubled, and in 1982, unemployment in the Mahoning Valley reached almost 22 percent – the highest anywhere in the country.”

Revealingly, Packer tells of the rise and fall of Youngstown through the story of a black woman's “survivor's tale”, a struggle and eventual career success built out of the rubble of her home town. Yet the meaning for the entire country heading into the heart of the Reagan years was crystalized by a former auto worker turned college professor, John Russo, who eulogized the disaster with the epitaph: “The idea that this was systemic didn't occur.” That sentence was written despite the fine attempt of Barry Bluestone and Bennett Harrison to do precisely that: see deindustrialization as a systemic national economic problem, in their 1982 book, *The Deindustrialization of America*.

The “Southernization” of American politics

There remains one important task in understanding the triumph of Trump, however short lived it might turn out to be, and that is to more fully explore all the meanings suggested, and implied, by the phrase “The Southernization of American Politics”. This may seem at first strange, the connection between the long standing regional “outcast” of American life, and the successful billionaire entrepreneur from the world's most sophisticated real-estate market, New York City. But let us try to make that connection for you, and also to re-emphasize one of the main themes of this short essay: that action and reaction in the political economy often depends on the level of pain and disruption that sets “the double-movement” in motion.

We rely upon the guidance of a little known, new work by Professor Glenn Feldman of the University of Alabama called *The Great Melding: War, the Dixiecrat Rebellion, and the Southern Model for America's New Conservatism* (2015), which in turn built upon the prior work of Dan Carter's *The Politics of Rage: George Wallace, the Origins of the New Conservatism, and the Transformation of American Politics* (1995).

Perhaps it will help to consider the transition suggested by this biographical sequence: John C. Calhoun, Strom Thurmond, George Wallace, Richard Nixon, Ross Perot, Sarah Palin and finally, Donald Trump.

This is our vastly compressed version of Feldman's longer tale, of how the South went from being solidly Democratic to solidly Republican Right in approximately 170 years, from 1840 to 2015, or slightly less, since the book opens with a jarring biography of violence from the post-Civil War Reconstruction days. We supply our own spotlight on the level of economic pain as a driver, as the seed bed for future ideological intensity.

The South at the end of the American Civil War in 1865 was a demoralized, economically prostrate and federally occupied territory. It never had much industry, but what it had was ruined, as was a good part of its plantation based agricultural life. What comes into view for contemporary minds would be the images of Nazi Germany, the ruins from the spring of 1945. (Rather than the images from 1939's *Gone with the Wind*.) Despite the military defeat, and the temporary demoralization of the planter class, the urgent, promethean task of the Southern economic elite was to evict the occupiers, re-invent racial control with new mechanisms that did not rely upon formal slavery, and to eventually present an inviting new investment opportunity for northern capital, all key pathways leading to "the New South".

Just outlining the situation does not conjure up the intensity of the tasks. Feldman does, though, right up front, by shocking the reader with the sheer physical brutality visited upon the newly freed slaves and any allies they might have – Southern or from the hated North. The tools to do so were the whip, the knife, the noose at the end of the rope, and bullets. And the main ingredient in the bubbling emotional cauldron that fueled the reaction against Reconstruction was a blind fury against all things Federal, especially the federal government.

After physical control had been secured by terrors both Roman and Medieval in nature, there came the tenant farming and sharecropping systems for both the former slaves and the bottom rungs of hapless white society. But that was not all: for those who even placed one foot beyond the new lines of white oligarchical authority, there was the prison lease system: a state sponsored form of privatization for mining, agricultural plantations and timber harvesting which turned the control and rate of pay over entirely to brutal entrepreneurs who had a direct and naked interest in horrible housing, miserable food and relentless hours of the most killing forms of labor. The expected life span for many prisoners, mainly young black men, was less than ten years: worse than slavery. The physical punishments were beyond modern belief. White men and women also formed a small subset of this barely acknowledge but widespread system, and of course, under these circumstances, since the cells were shared, children were born into the nightmare. *Cool Hand Luke*, by comparison, was a deeply sanitized modern movie version, appearing in 1967.

Remarkably, however, once this system had been firmly established, the brutal and cunning leaders who had set it up moderated their conduct, and their tone, the first great "melding". They needed to do so both to attract northern financing, and to make sure the federal

government did not again threaten to investigate the monstrosity of illusion that they had built. Thus the myth of “cordial and beneficent” racial relations which could not be understood, and only be upset by outsiders. It took outrageous “Sophistic Pruning” and “Smoke and Mirrors” methods to distract from the realities, and to try to conceal the fault lines: the potential alliance between poor whites and blacks, and the always raw racial realities. We can get a hint of the great intensities behind this system of control by remembering the early speeches of George Wallace, especially his Gubernatorial Inaugural Address in 1963, the famous lines “segregation now... segregation tomorrow... segregation forever”. The speech was written by a Klansman, Asa Carter, and the intensity was genuine, a politician’s Holy Grail of authenticity on the part of Wallace, a former collegiate boxing star. Looming over their shoulders was the advancing federal juggernaut, of the Justice Department’s lawyers, and if necessary again, the 82nd and 101st Airborne divisions.

Lest this account seem too fantastic to accept at face value, we invite readers to visit historian Rick Perlstein’s essay – “Peter’s Choice” – about how a college student in an honor’s seminar in Oklahoma justified his support for Trump via the South’s old recycled tale of Federal travesty during Reconstruction, still on strong legs far from home and in the fall of 2016, no less.

The Second Great Melding, Feldman tells us, did not take place until that fateful decade for Keynesianism, American Labor, and the faltering New Deal shaped Democratic Party: the 1970s. It was the melding of the rising American religious Fundamentalists (and more complexly, the Evangelicals), who were very worried about alleged American moral decline, adverse Supreme Court decisions on prayer in the schools, abortion, and tax exemption for private religious schools... and the dawning recognition that an alliance was possible with the higher stratospheres of American business, then suffering from declining profit rates, foreign competition and over-regulation.

It is best to let Feldman summarize these permutations for us, how a transformed South became the template for a transformed Republican Party, where the ideological goal posts had not just been shifted, but also the “fifty-yard line” itself:

“Character, values, religion, and patriotism would become something that could be termed ‘The New Racism,’ condemning a whole set of ‘New Negroes’ to the fingers of southern society: feminists, the environmentally conscious, intellectuals, liberals, the secular, those who questioned war or unlimited military spending... the conservative orthodoxy would be a self-satisfying type, soothing to its beneficiaries, with all the nineteenth century platitudes about deserving thrift, superior ingenuity, work ethic, and the entrepreneurial spirit – yet with race securely in place as its vital subtext, and Calvinistic exclusivity openly preached. Despite the veneer and the ceaseless chatter about ‘givers’ and ‘takers,’ and the love of ‘producers,’ the new Republican orthodoxy would be just as narrow, just as exclusionary, and just as unleavened as the old southern Democratic conservatism had been...”

During this period, southern conservatives were hard at work perfecting the techniques of mass distortion that lent themselves to a politics that compelled loyalty based on emotion and gut-level appeal rather than rational thought and reality-based analyses of policy. The liberal alternative – so dependent

on rationality, shades of grey, complex argument, and critical thought – didn't stand a chance."

If that seems a bit too much to take in via one breadth, just reflect upon poor Michael Dukakis' fate in the Presidential campaign of 1988 when he was asked in a televised debate how he would respond if his wife had just been raped by a criminal like Willie Horton... and then reflect also a bit upon the career and background of the late Lee Atwater, political attack dog extraordinaire.

Conclusion

The main thrust of this essay has been to emphasize the miscalculations Neoliberalism has made in the West in two major respects: underestimating the economic pain visited upon its middle and working classes due to de-industrialization, and also underestimating the impacts from the uncertainty surrounding the *remaining* jobs – the loss of predictable careers.

While Donald Trump has skillfully mobilized these pains, it is not clear he has come up with a coherent economic policy to correct them. He has no "mandate", having lost the popular vote soundly, and his working class success was a matter of a few hundred thousand votes scattered across key states, not tens of millions "converted" across the country.

Where we can find economic coherence, it follows the likely tax cutting and militarized Keynesianism of the Reagan years, which will not reach those in the bottom rungs of the economic system. In mid-February, a month into his first hundred days, his economic policies have not even been broached in Congress; the infrastructure program is without form or substance.

There are enormous strains that comes with the Trump package: his alliances with the Religious Right and the shadowy world of the Alt-Right. It is not clear at all that he can maintain peace among the major forces in the Republican Party, much less the nation, and it will be very difficult to construct a new "nationalism" if he has lost the confidence of American international corporations and the national security state.

The great tragedy is this: a more vigorous form of social democracy would seem to produce the best of both worlds, keeping the international trading system largely intact and recycling the wealth which has gone upward to the 1% *downward into job programs*, guaranteed jobs even, for all the useful work that needs to be done.

However, given the existing economic ideology in the West, as we noted in the case of Germany towards the periphery, and because of the intense anti-governmental obsessions from the "Southernization" of American politics, the tools needed to reintegrate the working class into the broader economy, and give the middle class a greater sense of security, have been cruelly undercut. And it is not clear that Donald Trump himself would understand, or agree with, a word of what we have just written.

Nonetheless, the Neoliberal influenced Democrats have failed to connect emotionally with those hurting the most, and the party is facing a sea of red conservative voters in the South and much of rural America, and they have lost control of state house after state house.

The economic mainstream bears some responsibility for this, as the reaction of four of its “stars” indicated when they jumped all over an economist in February of 2016 for being “irresponsible” for running the numbers of Bernie Sanders’ economic policy proposals, and finding good outcomes.

William Greider perhaps put it best in the final chapter of *One World Ready or Not*: “...modern economists have become the ‘thought police’ in advanced societies, as futurist Hazel Henderson observed.” And their rigidity, especially in forbidding New Deal type interventions into labor markets, have helped make the looming disaster of Donald Trump possible. We haven’t changed our mind over the past year: America looks ungovernable right now and it will be surprising if Trump can survive four years.

We will close with two personal recollections from 2015-2016. One came from a Rush Limbaugh broadcast, where the famous conservative broadcaster was lamenting the left-liberal war on “producers”, via the efforts to stop global warming. Limbaugh said that no benign Creator could ever allow the alleged coming catastrophes of global warming to actually happen, since they were the fruits of His own creations’ inventive, industrious genius, of people bettering their lives. No complexities, contradictions or limits here, to be sure.

The second occurred on a beautiful late summer evening’s walk under a spectacularly colored sky with high cirrus clouds and jet vapor trails blended together. We had passed fellow citizens in Western Maryland looking up at what we thought was the same view, and commented to them about it. In return, they said there was more going on than nature’s artistry: those jet contrails were spewing toxic fumes and infectious biological agents, a joint enterprise in perfidy by the airlines and the federal government to harm the good citizens. Looking up the plot online when arriving home, sure enough, that was the outline of things to come.

After that revelation, much of what has happened in the realm of political economy seemed to fall into place. Or into a bottomless pit. History has given us more than a few previews on the possibilities, but not yet, hopefully, the inevitabilities.

PS Disclosure: this writer was a Bernie Sanders supporter in 2016.

References

Atwater, Lee. Biography at [Wikipedia](https://en.wikipedia.org/wiki/Lee_Atwater). https://en.wikipedia.org/wiki/Lee_Atwater

Bill of Rights. “Citizens: If James Galbraith and Bill Black don’t have any ‘standing,’ where does that leave you?” *Daily Kos*, February 23, 2016. <http://www.dailykos.com/story/2016/02/23/1489977/-Citizens-If-James-Galbraith-and-Bill-Black-don-t-have-any-standing-where-does-that-leave-you>

Block, Fred; Somers, Margaret R. *The Power of Market Fundamentalism: Karl Polanyi’s Critique*. Cambridge, MA: Harvard University Press, 2014

Bluestone, Barry; Harrison, Bennett. *The Deindustrialization of America*. New York, NY: Basic Books, 1982.

Carter, Dan T. *The Politics of Rage: George Wallace, The Origins of the New Conservatism, and the Transformation of American Politics*. New York, NY: Simon & Schuster, 1995.

Cowie, Jefferson. *Stayin’ Alive: the 1970s and the Last Days of the Working Class*. New York, NY: The New Press, 2010.

Das, Satyajit. *The Age of Stagnation: Why Perpetual Growth is Unattainable and the Global Economy is in Peril*. Amherst, NY: Prometheus Books, 2016.

Das, Satyajit. "This year's World Economic Forum in Davos will focus on the threat of right-wing populism for the first time ever." *The Independent*, January, 2017.

<http://www.independent.co.uk/voices/davos-world-economic-forum-wef-celebrities-right-wing-populism-first-time-a7528086.html>

Feldman, Glenn. *The Great Melding: War, the Dixiecrat Rebellion, and the Southern Model for America's New Conservatism*. Tuscaloosa, AL: University of Alabama Press, 2015.

Frank, Thomas. *Listen Liberal: Or, Whatever Happened to the Party of the People*. New York, NY: Henry Holt and Company, 2016.

Fritzsche, Peter. *Rehearsals for Fascism: Populism and Political Mobilization in Weimar Germany*. New York, NY: Oxford University Press, 1990.

Davis, Mike. "The Great God Trump and the White Working Class." *Jacobin*, February 7, 2017.

<https://www.jacobinmag.com/2017/02/the-great-god-trump-and-the-white-working-class/?setAuth=63e2fa5ae2f60aa03a7b9fd42d011179>

Dukakis, Michael. Biography at Wikipedia. https://en.wikipedia.org/wiki/Michael_Dukakis

Gabler, Neil. "The Secret Shame of Middle-Class Americans." *The Atlantic*, May, 2016.

<https://www.theatlantic.com/magazine/archive/2016/05/my-secret-shame/476415/>

Gordon, Robert J. *The Rise and Fall of American Growth: The U.S. Standard of Living Since the Civil War*. Princeton, NJ: Princeton University Press, 2016

Gray, John. *False Dawn: The Delusions of Global Capitalism*. New York, NY: The New Press, 1998.

Greider, William. *One World, Ready or Not: The Manic Logic of Global Capitalism*. New York, NY: Simon & Schuster, 1997.

Harvey, David. *The Condition of Postmodernity: An Enquiry into the Origins of Cultural Change*. Malden, MA: Blackwell Publishers Ltd., 1990.

Harvey, David. *The Enigma of Capital and the Crisis of Capitalism*. New York, NY: Oxford University Press, 2010.

Houellebecq, Michel. *The Elementary Particles*. New York, NY: Vintage Books, 2000.

Kawa, Luke. "Get Ready to See This Globalization 'Elephant Chart' Over and Over Again." *Bloomberg Markets*, June 27, 2016.

<https://www.bloomberg.com/news/articles/2016-06-27/get-ready-to-see-this-globalization-elephant-chart-over-and-over-again>

Klein, Naomi. "It was the Democrats' embrace of neoliberalism that won it for Trump." *The Guardian*,

November 9, 2016. <https://www.theguardian.com/commentisfree/2016/nov/09/rise-of-the-davos-class-sealed-americas-fate>

Klein, Naomi. "Capitalism vs. The Climate." *The Nation*, November 9, 2011.

<https://www.thenation.com/article/capitalism-vs-climate/>

Kolata, Gina. "Death Rates Rising for Middle-Aged White Americans, Study Finds." *New York Times*,

November 2, 2015. https://www.nytimes.com/2015/11/03/health/death-rates-rising-for-middle-aged-white-americans-study-finds.html?_r=0

Lilla, Mark. "Slouching Toward Mecca." *New York Review of Books*, April 2, 2015, Volume LXII, Number 6, Pages 41-43.

Packer, George. *The Unwinding: An Inner History of the New America*. New York, NY: Farrar, Straus and Giroux, 2013

Perlstein, Rick. "Peter's Choice." *Mother Jones*, Jan/Feb.2017.

<http://www.motherjones.com/politics/2017/01/donald-trump-2016-election-oklahoma-working-class>

Phillips-Fein, Kim. *Invisible Hands: The Making of the Conservative Movement from the New Deal to Reagan*. New York, NY: W. W. Norton & Company Ltd., 2009

Polanyi, Karl. *The Great Transformation: The Political and Economic Origins of our Time*. Boston, MA: Beacon Press, 2001.

Rosin, Hannah. "Keynote Address: Evaluating Claims About 'The End of Men,'" Boston University School of Law, October 12, 2012: <https://www.youtube.com/watch?v=CnBbAh2yYyA&t=20s>

Schorske, Carl E. *Fin-De-Siecle Vienna: Politics and Culture*. New York, NY: Vintage Books, 1980

Sennett, Richard. *The Corrosion of Character: The Personal Consequences of Work in the New Capitalism*. New York, NY: W. W. Norton & Company Inc., 1998.

Stein, Judith. *Pivotal Decade: How the United States Traded Factories for Finance in the Seventies*. New Haven, CT: Yale University Press, 2010.

Varoufakis, Yanis; Holland, Stuart; Galbraith, James K. "A Modest Proposal for Resolving the Eurozone Crisis, Version 4.0." July, 2013. <https://varoufakis.files.wordpress.com/2013/07/a-modest-proposal-for-resolving-the-eurozone-crisis-version-4-0-final1.pdf>

Yang, Wesley. "American Nightmare." *Harpers*, February, 2017. <http://harpers.org/archive/2017/02/trump-a-resisters-guide/3/>

Author contact: wrn1935@comcast.net

SUGGESTED CITATION:

William Neil, "Major miscalculations: globalization, economic pain, social dislocation and the rise of Trump", *real-world economics review*, issue no. 79, 30 March 2017, pp. 13-28, <http://www.paecon.net/PAERReview/issue79/Neil79.pdf>

You may post and read comments on this paper at <https://rwer.wordpress.com/comments-on-rwer-issue-no-79/>