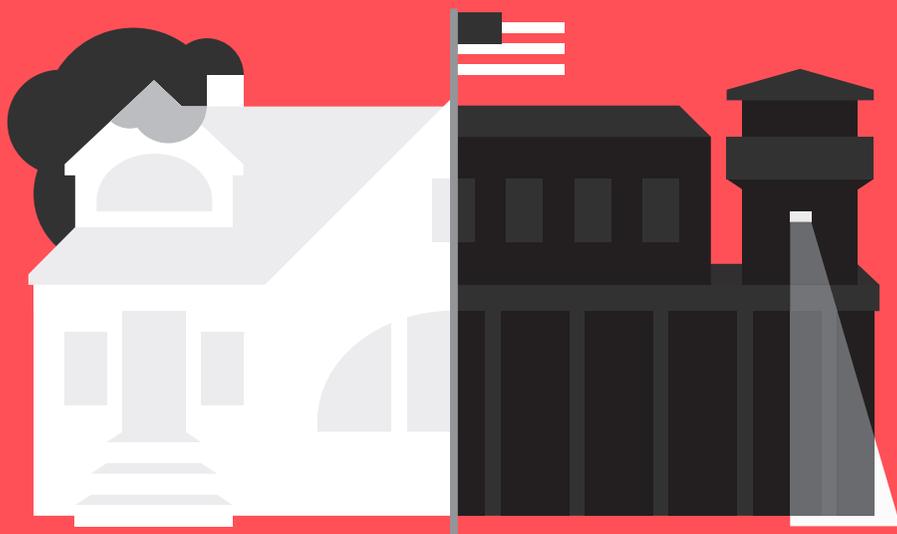


Catalyst

VOLUME 1 N^o.4 WINTER 2018 A JOURNAL OF THEORY & STRATEGY



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& Coates*

MARC BOTENGA

*Building a Different
Europe*

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The Turkish Quagmire

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Editorial

The transition from Obama to Trump has been nothing if not a culture shock. From a president whose election was a watershed moment in the struggle against racism, the United States lurched to a successor who openly aligns with racial prejudice. When you combine that with Trump's views on gender relations, the country seems to have taken a massive leap backwards in public culture.

The 2016 election reminds us that it would be folly to become complacent about the gains against social oppression in this country and elsewhere. But while it is important to confront the persistence of these practices, it is also crucial not to understand them as having a life of their own, independent of the broader social and economic environment.

In our opening essay, Touré Reed presents a searching analysis of race in America, which not only embeds it in the wider political economy, but also overturns some of the emerging orthodoxies around its dynamics. Much like the highly influential argument of Ta-Nahisi Coates, Reed roundly rejects the idea that Obama's election launched the United States into a post-racial era. Indeed, he argues that Obama himself gave sanction

to some of the most odious racialized tropes of our times. But Reed also engages Coates's own work, criticizing his projection of a transhistorical "white supremacy" as the root cause of social domination. Even more, Reed presents a careful criticism of Coates's strategy for tackling racial inequalities, in particular, his advocacy of reparations.

So, too, in a wide-ranging interview, the historian Stephanie Coontz notes the extraordinary changes in family dynamics over the past two generations. She observes that some of the deepest shifts toward gender-egalitarian attitudes have occurred among married men, long considered the chief obstacle to gender equality. This is no doubt because men have had to adjust to the greater power that women have recently acquired. Their entrance into the labor force has decreased their dependence on their husbands, providing women greater leverage within the family. However, as Coontz notes, in the United States we might be approaching a limit to how far these changes can proceed without substantial increases in social supports for working-class families.

This issue of *Catalyst* also continues the debate on left strategy. In the third issue of *Catalyst*, David Calnitsky made a powerful case for the pursuit of universal basic income (UBI). In this issue, Alex Gourevitch and Lucas Stanczyk question both the practicability and the desirability of UBI. They suggest that any workable version of UBI will probably be too meager to achieve its stated goals, and that, if the Left can muster the political muscle it will take to win it, there are far more effective reforms that could be achieved. Relatedly, Marc Botenga and Cédric Durand continue our debate on the European Union. Both Botenga and Durand agree that, in its current form, the EU is a neoliberal institution. But Botenga cautions against a return to nationalism as a way out, which in the short run will only play into the hands of the far right, and in the longer run is impracticable. Durand turns the table on Botenga, arguing that calls for a progressive EU are pipe dreams. The point, he says, is not to exit and revert to economic nationalism, but to leverage exit to engineer a reintegration on newer and more propitious terms.

Whatever the prospects of the Left might be in Europe, they seem to have reached their nadir in Turkey. Over the past two decades, Tayyip Erdoğan's Justice and Development Party has not only instituted a neo-liberal economic regime, but has shifted Turkey's political culture in an authoritarian and Islamist direction. Ümit Akçay examines the blend of populism and neoliberal economics institutionalized by Erdoğan, and suggests that one of the main features of this model is that it has muted interclass political conflict while exacerbating political contestation within the elite. The result is a stabilization of the *class* character of the Turkish state, while continually generating conflicts within ruling circles.

Collectively, the articles in this issue point to the Left's dilemma. There is no doubt that the austerity turn the Western elites took after the 2008 recession has backfired for them. It has thrown up a cluster of insurgent forces in Europe and the United States, some from the Left and many from the Right. But socialists don't yet have anything approaching a clear vision of how to approach the challenge. There is not yet a "left" strategy for Europe, nor a settled agenda for redistributive reform, nor a clear approach to social oppression. In many ways, socialists are less clear on these issues than they were during the 1930s. The debates we are hosting in this and in upcoming issues of the journal, will, we hope, contribute to a new political agenda. ✎

Barack Obama and Ta-Nehisi Coates have assumed complementary roles. While Obama's post-racialism traces lingering inequities to the cultural deficiencies of the black and brown poor themselves, Coates attributes racial disparities to an inexorable white prejudice. Because each of these frameworks divorces racial inequality from political economy, Obama's post-racialism and Coates's case for reparations promote a politics that is responsible for the widening gulf between the nation's haves and have-nots, whatever their race.

BETWEEN OBAMA AND COATES

TOURÉ F. REED

Since the publication of “The Case for Reparations,” Ta-Nehisi Coates has become one of the nation’s most visible and influential African American public intellectuals. Scholars as well as liberal (and even a number of conservative) pundits have hailed Coates for his courage, passion, and insights into the history of American “race relations.” Arguing that disparities in income, wealth, and incarceration are generated by a transhistorical racism stretching back to the colonial era, Coates rejects solutions based on broad economic redistribution. He advocates, instead, for policies targeting blacks exclusively — such as reparations — as the only feasible means of closing the material divide between African Americans and whites.

Coates’s rise to prominence during Obama’s second term was, at least in part, an expression of a broadly shared disillusionment with post-racialism. While pundits, Democratic functionaries, and a stratum of middle-class African American professionals celebrated the election of the nation’s first black president as a transformative moment in American race relations, Obama’s presidency did little to directly address racial disparities. Moreover, the Tea Party and Birther movements as well as President Trump’s

normalization of white nationalism made clear that racial prejudice was still alive and kicking. In this context, Ta-Nehisi Coates's calls for reparations and his related embrace of a racial ontology — the view that race/racism is a fundamental determinant of human life operating independently of social relations — provided what many would see as a satisfying and sober alternative to post-racialism.

At its core, post-racialism is a reactionary fantasy. Obama's version of it presumed that since the victories of the modern Civil Rights Movement had swept aside the formal racial impediments to black equality, lingering inequality had less to do with extant prejudice than slow economic growth, racism's historic legacy, and the cultural deficiencies of poor African Americans themselves. Despite rhetorical nods at deindustrialization, however, President Obama — like Presidents Johnson, Carter, and Clinton before him — was little concerned with the effects of structural economic inequality. Thus, rather than demonstrating liberals' historic failure to appreciate the distinctiveness of black poverty, as Coates claims, post-racialism is in step with postwar liberalism's tendency to treat racial inequities as if they exist in a world apart from the economic processes that generate them. Coates's conceptualization of racism as the engine of history not only blinds him to this fact, but his commitment to racial ontology is every bit as conservative and counterproductive as the post-racialism he despises.

Barack Obama and Ta-Nehisi Coates — the very emblem of post-racialism along with its most popular critic — have thus taken up complementary roles. To be sure, Obama and Coates lay claim to two diametrically opposed visions of race. While Obama's post-racialism traces lingering inequities, at least in part, to the cultural deficiencies of the black and brown poor themselves, Coates attributes racial disparities to an inexorable white prejudice.

Whether the culprit is African Americans' cultural pathologies or whites' ingrained contempt for blacks, each of these frameworks divorces what we tend to think of as racial inequality from the political economy. Both Obama and Coates abstract African American poverty from the economic

and social policies that have, indeed, impacted blacks disproportionately — including the decline of the trade union movement and the retrenchment of the public sector — even if their impetuses often have little or nothing to do with race. Rather than providing policy prescriptions that might redress the material sources of racial disparities, then, the race reductionism that informed Obama’s post-racialism and informs Coates’s reparations agenda aids and abets a liberal politics that has been complicit in decades-long wage stagnation and the widening material gulf that separates the nation’s haves from its have-nots, whatever their race.

RACE AND MODERN LIBERALISM

Ta-Nehisi Coates’s major works on race and American politics — “The Case for Reparations,” “The Black Family in the Age of Mass Incarceration,” “My President Was Black,” and “The First White President”— contend that liberal social policy has failed African Americans since the New Deal because progressives have tended to view “racism not as an active, distinct evil but as a relative of white poverty and inequality.”¹ According to Coates, the New Deal enshrined into law a system of entrenched inequities, via discriminatory Federal Housing Administration (FHA) mortgage policies, that plundered black bodies and engendered ghettoization; the Johnson administration ignored the urgings of Assistant Labor Secretary Daniel Patrick Moynihan to forge a War on Poverty centered on the distinctiveness of black poverty, thereby paving the way for mass incarceration; affirmative action’s promise to close the material divide between blacks and whites remains unfulfilled, thanks to its scattered focus on diversity and inclusion; and Obama’s predilection for “universal” programs — such as the Affordable Care Act (ACA), expansion of Pell Grants, and the Earned Income Tax Credit — failed to ignite a progressive, class-based coalition capable of staving off a racist, populist Trump political insurgency.

Coates’s characterizations are not entirely without merit. As has been

1 Ta-Nehisi Coates, “The Case for Reparations,” the *Atlantic*, June 2014.

well documented by historians and social scientists, discrimination in FHA mortgage policy undercut black Americans' capacity both to accumulate wealth and to weather the withering blows of deindustrialization. The War on Poverty did fail to address the root causes of black poverty, and this failure has certainly contributed to contemporary disparities in incarceration rates. Affirmative action has, indeed, proved incapable of redressing income inequality and disparities in employment. And there is little doubt that the Obama administration's tepid response to the financial crisis — along with Hillary Clinton's many flaws as a presidential candidate — helped pave the way for the faux-populist Trump presidency.

On some level, then, it is not surprising that scholars and journalists alike have lauded Coates for bringing a number of crucial issues to the attention of a broad readership. But if Coates merits recognition for introducing the ill effects of specific policies to a popular audience, his insistence that race is a force that operates independently from political economy leads him to the erroneous conclusion that modern liberalism's failures are owed to a refusal to acknowledge that racism is a distinct evil that warrants its own solutions. Contrary to Coates's characterization of US history, postwar liberalism was actually typified by a tendency to divorce race from class. Coates's fundamental claim is, therefore, incorrect. Still, in light of Coates's broad popularity and influence, it is worthwhile to explore the inadequacies of his analysis of the New Deal, the War on Poverty, affirmative action, and President Obama if only because Coates's appeal offers insights into the problems with post-post-racial liberal discourse about race and inequality.

Coates's critique of the New Deal centers on two of its most well-documented deficiencies: the exclusion of disproportionately black agricultural workers from coverage under the Social Security Act (1935) and the explicit exclusion of blacks from Federal Housing Administration (FHA) and Veterans Administration (VA) mortgage policies. According to Coates, these examples highlight the limitations of universalism, while demonstrating a history of white plunder of black bodies. The realities, however, are far more complicated.

As Coates correctly notes, exclusion of agricultural and domestic workers from Social Security coverage placed 65 percent of African American workers beyond the reach of the SSA's old-age retirement coverage in 1935. Drawing on the work of political scientist Ira Katznelson, Coates ultimately attributes the exclusion of agricultural and domestic workers — “jobs heavily occupied by blacks” — from the Social Security Act to southern Democrats' desire to infuse Jim Crow into federal policy. Though there is little doubt that southern Democrats argued passionately against extension of Title I Social Security benefits to African Americans, the contention that racism was the principal impetus behind the SSA's exclusion of agricultural and domestic workers is hard to defend.

The most obvious problem with the claim is that it ignores the fact that the majority of sharecroppers, tenant farmers, mixed farm laborers, and domestic workers in the early 1930s were white. According to the 1933 labor census, roughly 11.4 million whites were employed as farm laborers and domestic workers, compared with 3.5 million blacks. This meant that the SSA's farm and domestic exemptions excluded 27 percent of all *white* workers. To be sure, blacks — who were just 10 percent of the total population — were overrepresented among exempted workers, comprising 23 percent of such individuals. Whites, however, accounted for 74 percent of all workers excluded from SSA coverage.²

The SSA's exclusion of agricultural and domestic workers reflected a convergence of political and economic issues. Shaped partly by concerns centered on revenue collection and administration, the Social Security Act initially extended coverage only to workers employed in commerce and industry. As a result, nearly a dozen fields — including many occupations employing few African Americans — were excluded from the SSA's purview. Opposition from employers likewise shaped the parameters of coverage. Plantation owners perceived federal welfare benefits for farm workers as a threat to their managerial prerogatives. Some proprietors already provided

2 Larry DeWitt, “The Decision to Exclude Agricultural and Domestic Workers from the 1935 Social Security Act,” *Social Security Bulletin* 70, no. 4 (2010), 52-53, <https://www.ssa.gov/policy/docs/ssb/v70n4/v70n4p49.html>.

in-kind benefits to loyal workers that were tied to their productivity. SSA coverage would necessarily undermine these incentive mechanisms.³

More to the point, many farm owners rejected SSA coverage for themselves. In fact, the American Farm Bureau (AFB), the largest agricultural lobbying group of the day, opposed Social Security coverage not only for farm laborers, but it had successfully lobbied to exempt farm owners from coverage for nearly two decades. The AFB perceived the payroll tax as an encumbrance on business that promised no tangible rewards for proprietors.⁴

While it is safe to assume that most southern farm owners in the 1930s were racist, the fact that farm-owning proprietors generally opposed SSA coverage for farm laborers — black and white alike — as well as for themselves makes clear that their motives owed less to the “original sin of racism” than a desire to keep their labor costs down and retain control over the operation of their farms. To be sure, Jim Crow buttressed the system of debt peonage that made the sharecropping system a palatable alternative to slavery for planters. But the wholesale disfranchisement of African Americans that had undercut the Populist insurgency of the last decade of the nineteenth century facilitated the expansion of a sharecropping system that, unlike slavery, exploited both black and white farm laborers.

Though FHA and VA mortgage policies are perhaps the clearest expression of what is often referred to as “institutional racism,” Coates’s discussion of the effects of FHA and VA mortgage policies is similarly reductionist.

In just a few decades, FHA and VA mortgages (established in 1934 and 1944, respectively) would transform a nation of renters into a nation of homeowners. In a nutshell, the FHA and the VA insured mortgages against default, encouraging banks to offer homeowners long-term, low-interest loans, with little money down. This in turn led to the transformation of conventional mortgages — loans not insured by the federal government — which

3 Lee Alston and Joseph P. Ferrie, “Labor Costs, Paternalism, and Loyalty in Southern Agriculture: A Constraint on the Growth of the Welfare State,” *Journal of Economic History* 45, no. 1 (1985), 99-101.

4 Larry DeWitt, “The Decision to Exclude Agricultural and Domestic Workers from the 1935 Social Security Act,” 52-55.

followed federal guidelines. The federal government's transformation of the mortgage industry ultimately made homeownership a reality for millions of working-class and middle-class white Americans in the years following the New Deal. Blacks, however, were excluded from these programs — first by formal policy and then by institutional practice — until passage of the Civil Rights Act of 1968.

African Americans' exclusion from federal mortgage programs led many blacks to purchase homes on “contract” from predatory real estate entrepreneurs. Contract sellers not only retained ownership of the home until buyers had satisfied all of their obligations, but sellers generally inflated home values, charged exorbitant interest rates, and levied stiff penalties — including immediate foreclosure and forfeiture of equity — for late payments. Drawing from the work of historian Beryl Satter and his own interviews with longtime residents of North Lawndale, Coates authors a vivid account of the financial damage inflicted upon the victims of contract selling as well as the destructive legacy of redlining on the West Side of Chicago. Coates proffers few insights, however, into the broader dynamics shaping residential segregation. His tendency to characterize issues such as contract selling, redlining, and white flight as simply further iterations of whites' plunder of black bodies belies the contingency of racist attitudes and discriminatory behavior. Indeed, by attributing housing discrimination simply to whites' primordial prejudice — as Coates does when he compares the motives of homeowners with slaveholders or describes white flight as a contagion — Coates is free to ignore the complex political-economic underpinnings of housing discrimination.⁵

To understand the genesis of racially stratified housing markets, there are two matters that merit particular consideration. First, Democratic and Republican administrations in the 1940s and 1950s used housing policy to nurture what would eventually be known as the Keynesian consensus. As the Great Depression was not a distant memory, policymakers looked to spur a construction boom that might stimulate macroeconomic growth.

5 Ta-Nehisi Coates, “The Case for Reparations.”

To assuage the real estate and banking industries' apprehensions about the federal government's expanding role in the nation's economy, policymakers championed the emerging housing markets not as the contrivances of federal largesse that they were, but as the release of free market forces.⁶ Second, policymakers likewise sold homeownership to America's well-unionized postwar workforce as a passport into the middle class. As historian Robert Self has argued, homeownership and suburbanization thus functioned to defuse labor militancy, which had reached its apex in the mid-1940s, by encouraging workers to identify with the ownership class.⁷

Though Coates sees housing discrimination as evidence of the limits of New Deal-era universalism, the postwar push for homeownership and suburbanization was actually illustrative of the shift *away* from the New Deal's social-democratic promise. In fact, as postwar policymakers and business interests identified homeownership as a vehicle for both fostering confidence in Keynesianism and dampening working-class labor militancy, they reified housing segregation via free market ideology. Drawing from the "market imperative" ideology pioneered by Progressive Era realtors, planners, and housing economists, FHA guidelines identified nonwhites as a threat to property values. The federal government did not invent housing discrimination; however, by transforming best business practices into national policy, FHA guidelines eliminated any ambiguity about blacks' impact on local property values. Since a neighborhood's racial composition influenced home appraisals, white homeowners resisted integration via race-restrictive covenants, zoning, and organized violence, or they relocated to far-flung suburbs as black neighborhoods inched ever closer not simply because they did not like African Americans, but because they wanted to protect their investment.⁸

REED

6 David Freund, "Marketing the Free Market: State Intervention and the Politics of Prosperity in Metropolitan America" in *The New Suburban History*, ed. Kevin M. Kruse and Thomas Sugrue (Chicago: University of Chicago Press, 2006), 19-22.

7 Robert O. Self, *American Babylon: Race and the Struggle for Postwar Oakland* (Princeton: Princeton University Press, 2005), 7-9, 29-46.

8 David Freund, "Marketing the Free Market," 15-19, 20-23.

Understanding residential segregation in the context of housing markets places housing discrimination where it belongs, squarely in the realm of human contrivance. Contract selling was horribly exploitative. But since the evil at work here is the product of growth politics and entrepreneurialism rather than mysticism, the victims could come in many forms. Just as contract sellers fleeced black homeowners denied access to long-term mortgages, real estate entrepreneurs known as blockbusters capitalized on the vulnerabilities and fears racially tiered housing markets engendered or reinforced in white homeowners. Blockbusters purchased homes in white neighborhoods, which they then rented or sold on contract to African Americans. Because mortgage underwriting policy identified nonwhites as a drag on property values, blockbusters were able to rake in tidy profits by purchasing homes from panicked whites — desperate to sell before plummeting home prices wiped out all of their equity — and then gouging black renters and contract buyers.

This is not to suggest that blacks and whites were equally disadvantaged by racially stratified housing markets; they were not. The point is that Coates's narrow focus on disparities, which is a reflection on his commitment to racial ontology, leads him to misidentify the sources of the very inequities with which he is concerned. Indeed, if one considers the broad effects of both the Social Security Act's exemptions and federal housing policy, then the disparities that Coates adduces to demonstrate racism's triumph over universalism are more accurately understood as evidence of the limits of New Dealers' commitment to regulating labor and housing markets. The SSA and FHA exemplified two different models of government stewardship of the nation's economy — the regulatory and compensatory states; nevertheless, both reflected New Dealers' need to accommodate capital and not any socialist desire to suppress it.

Coates's commitment to treating racism and economic exploitation as discrete forces likewise contributes to his misdiagnosis of the deficiencies of the War on Poverty, leading him to an ironic, ahistorical assessment of affirmative action's limitations. Coates contends that the Johnson administration ignored Assistant Secretary of Labor Daniel Patrick Moynihan's

urgings to pursue an anti-poverty agenda that reflected the distinctiveness of African American poverty. In fact, the War on Poverty actually drew heavily from Moynihan's playbook. To be sure, Moynihan became a scorned critic of the War on Poverty's expansion of social services like Aid to Families with Dependent Children (AFDC). Nevertheless, the Johnson administration and the president's Council of Economic Advisors — much like Moynihan — did, indeed, attribute the high rates of black poverty in the early 1960s to the unique challenges African Americans faced in the form of racial discrimination and blacks' related soft and hard skills deficits. This is why programs like Job Corps and Community Action Programs emphasized provision of job training and cultural tutelage to impoverished minority youth rather than public works.

The Department of Defense's Project 100,000 — which lowered Army entrance requirements to increase the number of black men in the military during the Vietnam era — likewise bore the influence of the only policy proposal implied by the Moynihan Report. Specifically, *The Negro Family* suggested that military service would insulate black men from the emasculating effects of racism and patriarchy, leading its author to lament the fact that African Americans' poor performance on the Army IQ test reduced their share of military personnel. And while the Moynihan Report did not explicitly propose Project 100,000, Secretary of Defense Robert McNamara cited Moynihan as one of his inspirations.⁹

Policymakers were not inured to the hobbling effects of historic or even contemporary racism on blacks' economic prospects. The Johnson administration thus conceived of Title VII of the 1964 Civil Rights Act — the legislative basis for affirmative action — as crucial to the War on Poverty. Though Coates contends that affirmative action's focus on diversity has undercut its efficacy, he ignores the fact that diversity originated as a defensive response to the blows dealt to affirmative action by *Regents of the University of California vs. Bakke* (1978) and the Reagan administration. Coates is, of course, correct to suggest that affirmative action has failed

9 Lisa Hsiao, "Project 100,000: The Great Society's Answer to Military Needs in Vietnam," *Vietnam Generation* 1, no. 2 (1989), 15.

to close the material divide between blacks and whites.¹⁰ However, the problem with Title VII is not its failure to target the specific conditions in black America. The problem with Title VII is that it failed to address the principal causes of racial disparities in the 1960s — automation and deindustrialization. In other words, affirmative action directly reflected the Kennedy and Johnson administrations’ commitment to the view that “Negro poverty is not white poverty.”

In the early 1960s, many civil rights leaders were clear that antidiscrimination policies alone were incapable of closing the economic divide separating blacks and whites. Though Coates claims that A. Philip Randolph and Bayard Rustin — the organizers of the 1963 March on Washington for Jobs and Freedom — gave up their demands for race-specific remedies to black poverty when confronted with the Johnson administration’s preference for class-oriented anti-poverty measures, Coates’s characterization actually misrepresents both sides.¹¹ Simply put, the black organizers of 1963 rally identified social-democratic policies as essential to redressing racial disparities in employment, income, housing, and wealth, while the liberal white president opted for prescriptions that presumed the distinctiveness of black poverty and ignored the structural transformation of the economy. Indeed, even as Randolph declared his support for a fair employment practices act at the March on Washington, he stated plainly that antidiscrimination alone would do African Americans little good in the face of “profit-gearred automation” that was destroying “the jobs of millions of workers black and white.” Randolph and Rustin thus identified public works, full-employment policies, and a minimum-wage hike as essential to closing the racial economic gap.¹² CORE’s James Farmer, the NAACP’s Roy Wilkins, and even the National Urban League’s Whitney Young echoed Randolph and Rustin’s call in 1963, as each of the above lent his support

REED

10 Frank Dobbin, *Inventing Equal Opportunity* (Princeton: Princeton University Press, 2009), 140-141.

11 Coates, “The Case for Reparations.”

12 Algernon Austin, “The Unfinished March: An Overview,” Economic Policy Institute, June 18, 2013, <http://www.epi.org/publication/unfinished-march-overview/>.

to a comprehensive antidiscrimination bill called S-1937. In contrast to Title VII, S-1937 included job training and public-works provisions. S-1937 acknowledged that racial discrimination was one of the contributors to black poverty. However, the bill's sponsors were clear that, because automation had begun to eliminate the low-skilled, unionized jobs that had served as many whites' entre to the middle class in the 1940s and 1950s, any serious effort to redress black poverty required public-works employment as well as targeted job training. In the wake of the Kennedy assassination and the 16th St Baptist Church bombing, the Johnson administration and Congress coalesced around the far less ambitious Title VII, leaving S-1937 to wither in committee.¹³

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Expediency's contribution to its passage notwithstanding, Title VII reflected the Johnson administration's disregard for the implications of the structural transformation of the American economy — from manufacturing to high tech and service — for African Americans. The Johnson administration eschewed Randolph and Rustin's calls for public-works programs and instead attempted to "raise all ships" via tax and spend policy — commercial Keynesianism. Thus, rather than pursuing a redistributive anti-poverty agenda that would have directly addressed the material sources of racial disparities, the Johnson administration pursued a growth oriented anti-poverty agenda that was a precursor to trickle-down. This is ultimately why Randolph and Rustin proposed the Freedom Budget for All — a call for a series of redistributive economic initiatives that could hardly be considered a race-specific agenda.

The Johnson administration's decision to divorce black poverty from political economy — its failure to consider the effects of automation, deindustrialization, and the decline in the number of low-skilled unionized jobs on blacks — ensured that most African Americans would not benefit fully from the legislative victories of the Civil Rights Movement. Indeed, if one considers the Great Society's failure to eliminate "Negro poverty" in the context of the US economy's postindustrial footing, then the

13 Judith Stein, *Running Steel, Running America: Race, Economic Policy, and the Decline of Liberalism* (Chapel Hill: University of North Carolina Press, 1998), 79-83.

inadequacies of the Johnson administration's analysis are as transparent as Randolph and Rustin's prescience.

Because Coates's commitment to racial ontology shrouds the complex forces shaping African American life in a densely packed fog of black suffering and white plunder, he has difficulty making sense of the War on Poverty and affirmative action. Coates thus gives only a few passing waves at deindustrialization, despite its disproportionate impact on black Americans. In fact, Coates mentions deindustrialization fewer than half-a-dozen times in the more than 200 pages that comprise "The Case for Reparations" and Coates's subsequent cases for reparations — "The Black Family in the Age of Mass Incarceration," and "My President Was Black." Needless to say, he makes many more references to the "body," "bodies," and "plunder" in these essays.¹⁴

Worse yet, Coates bristles at the suggestion that racial disparities should be viewed through the lens of political economy. When Senator Bernie Sanders dismissed reparations as politically infeasible, arguing instead that African Americans would be better served by universal health care, a return to taxpayer-funded ("free") public higher education, a reinvigorated labor movement, revitalization of the public sector, a living wage, and employment programs targeting impoverished communities, Coates not only questioned Sanders's bona fides as a progressive but also characterized Sanders as a coward. Coates, moreover, dismissed Sanders's observation that the single-identity-group focus of reparations created no basis on which to build a political coalition, claiming that Sanders's social-democratic politics were no less divisive than reparations.¹⁵ Coates, of course, has

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14 I have not attempted to count the number of times Coates references "the body," "bodies," or "plunder" in his three major essays; however, writer R.L. Stephens has reported that Coates uses "the body" or "bodies" more than 300 times in his roughly 150 page best seller *Between the World and Me*. R.L. Stephens, "The Birthmark of Damnation and the Black Body," *Viewpoint Magazine*, May 17, 2017, <https://www.viewpointmag.com/2017/05/17/the-birthmark-of-damnation-ta-nehisi-coates-and-the-black-body/>.

15 Ta-Nehisi Coates, "Why Precisely is Bernie Sanders Against Reparations," *The Atlantic*, January 19, 2016, <https://www.theatlantic.com/politics/archive/2016/01/bernie-sanders-reparations/424602/>; Ta-Nehisi Coates, "Bernie Sanders and the Liberal Imagination" *the Atlantic*, January 24, 2016, <https://www.theatlantic.com/politics/ar>

never provided compelling historical precedents for reparations. Indeed, “The Case for Reparations” offers only two examples of successful bids for such recompense, neither of which — as I will elaborate on below — has any relevance to African Americans today.

Given Coates’s mischaracterization of Randolph and Rustin’s response to Johnson’s proposed War on Poverty, it is not surprising that his critique of Sanders ignored the fact that the Vermont senator’s platform not only overlapped the March on Washington’s demands, but looked a lot like Randolph and Rustin’s Freedom Budget. The parallels between Sanders’s proposals and the Freedom Budget reflect, in part, the prescience of Randolph and Rustin’s assessment of the implications of deindustrialization and the more recent retreat of the public sector for blacks.

The decline of unionized manufacturing work has devastated black and brown blue-collar communities in cities such as Chicago, Detroit, Flint, Oakland, St. Louis, and Coates’s hometown of Baltimore. Though urban renewal helped some cities, notably Chicago, transition from manufacturing to global corporate cities, low-skilled workers benefited little from this iteration of growth politics. Indeed, the departure of unionized blue-collar jobs contributed to upticks in poverty and attendant social problems such as crime and family dissolution in communities whose residents lacked the skills for more attractive jobs in the postindustrial economy. At the same time, the War on Crime followed by the decades-long War on Drugs would, by the early 1990s, result in the United States incarcerating more of its citizens than any other nation. Today, African Americans account for 40 percent of the America’s inmate population, followed closely by whites. But while the militarization of law enforcement and draconian sentencing for drug offenses have contributed greatly to the growth in America’s prison population, here too, bipartisan indifference to structural sources of economic inequality and the related embrace of Moynihan’s contention that the poor, black or otherwise, could develop a distinctive culture that was impervious to external influence is also relevant.

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[hive/2016/01/bernie-sanders-liberal-imagination/425022/.](http://archive/2016/01/bernie-sanders-liberal-imagination/425022/)

The correlation between economic inequality and both violent and nonviolent crime has been well documented. However, poverty and neo-liberal retrenchment have contributed to mass incarceration in other ways that are often obscured by a tendency to focus on racial disparities alone. While racism certainly plays a role in sentencing disparities, according to political scientist Marie Gottschalk, a perpetrator's class background appears to exert greater influence over incarceration rates than race. Incarceration disparities in states with comparatively poor white populations, for example, are less pronounced than in states with more affluent white populations. Likewise, racial disparities tend to be greater in states that reserve incarceration for individuals convicted of the most serious crimes, such as drug and violent offenses — the types of crimes that are more commonly committed by poor people and, by extension, blacks.¹⁶ Since African Americans are overrepresented among the poor, budget cuts to state public defenders' offices further contribute to incarceration disparities. The decline in funding to state indigent legal services has led to a system in which 95 percent of criminal cases are settled by plea bargain.¹⁷ Finally, mass incarceration has functioned as a dystopian accommodation to many of the problems wrought by deindustrialization and public-sector retrenchment. Large prisons not only "house" the reserve army of unemployed and — thanks to the stigma of a felony conviction — unemployable workers, but jails and penitentiaries have become major employers, particularly in rural communities. Indeed, penal Keynesianism is the lifeblood of towns like Forrest City, AR, Susanville, CA, and Marion, IL.¹⁸

The bottom line is that because blacks have borne a disproportionate share of the damage inflicted on working people by deindustrialization

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16 Marie Gottschalk, *Caught: The Prison State and the Lockdown of American Politics* (Princeton: Princeton University Press, 2015), 132-135.

17 Oliver Laughland, "Justice Denied: The Human Toll of America's Public Defender Crisis," the *Guardian*, September 7, 2016, <https://www.theguardian.com/us-news/2016/sep/07/public-defender-us-criminal-justice-system>.

18 John M. Eason, "Prison Building Will Continue Booming in Rural America," *Salon*, March 15, 2017, https://www.salon.com/2017/03/15/why-prison-building-will-continue-booming-in-rural-america_partner/; Gottschalk, *Caught*, 31-34.

and the subsequent neoliberal economic consensus, African Americans would have benefited disproportionately from Sanders's platform despite the absence of the reparations "brand." And while Coates claimed that Sanders's dismissal of his signature issue revealed the Vermont Senator's ignorance of "the argument" for reparations, Sanders understood something that Coates refuses to acknowledge. The 64 percent of Americans who happen to be white will not tax themselves for a welfare program that they cannot, by design, benefit from irrespective of the righteousness of the cause. Righteousness was not the basis for the movements that opened opportunities to black Americans. Emancipation and even Reconstruction were produced by a convergence of interests among disparate constituencies — African Americans, abolitionists, business, small freeholders, and northern laborers — united under the banner of free labor. The Civil Rights Movement and its legislative victories — including affirmative action and the War on Poverty — were the product of a consensus created by the New Deal that presumed the appropriateness of government intervention in private affairs for the public good, the broad repudiation of scientific racism following World War II, and the political vulnerabilities Jim Crow created for the United States during the Cold War. To be sure, Reconstruction, the New Deal, the War on Poverty, and even the Civil Rights Movement failed to redress all of the challenges confronting blacks. But the limitations of each of these movements reflected political constraints imposed on them, in large part, by capital.

None of this is to suggest that the elimination of economic inequality would bring about an immediate end to racism. Since the eighteenth century, Americans have viewed inequities through the lens of one formal racial ideology or another. Given racism's cultural imprint, it is safe to assume that if we were somehow able to end economic inequality next Tuesday, racial prejudice would not likely disappear on its own by next Wednesday. I am not making a case against affirmative action or other racially targeted programs. But since racial disparities in SSA coverage, access to homeownership, unemployment, and mass incarceration were or are wed to state deference to capitalist market imperatives, it is difficult to imagine

how we could eliminate racial disparities without addressing economic inequality. Indeed, the War on Poverty and Title VII failed to eliminate economic disparities, precisely because the Johnson administration disregarded the influence of broader economic forces on black poverty. It is likewise difficult to imagine how one could build a political coalition for a program that sought to insulate a single minority group — whose population, in contrast to investment bankers, is overrepresented among the nation’s impoverished — from capitalism’s harshest conclusions. Should employers have been required to pay into Social Security for the 23 percent of farm laborers, personal servants, and domestics who happened to be black, but exempted from payroll tax for the 74 percent of such workers who happened to be white? Should we fund legal services at a level that fulfills the Sixth Amendment’s promise for the 40 percent of inmates who are black, but not for the 39 percent of inmates who are white?¹⁹ Or should the nation pay reparations to African Americans who were, indeed, fleeced by contract sellers, but ignore those whites who sold their homes at a loss to predatory blockbusters?

Coates’s treatment of race as a force distinct from class allows him to avoid considering such issues. And as his reflections on Obama make clear, Coates does not simply reject the notion that race is an ascriptive category intended to denote political-economic standing — Coates actually sees race as a metaphysical force.

OBAMA’S METAPHYSICAL BLACKNESS AND MYTHOLOGICAL PROGRESSIVE-UNIVERSALISM

“My President Was Black” echoes many of his earlier criticisms of Obama; nevertheless, the essay reveals Coates’s affection for Obama. Indeed, Coates’s reflections on the former president not only hint at his admiration

19 Leah Sakala, “Breaking Down Mass Incarceration in the 2010 Census: State-by-State Race/Ethnicity,” Prison Policy Initiative, May 28, 2014, <https://www.prisonpolicy.org/reports/rates.html>.

for Obama’s intellect, charisma, and savviness as a politician, but Coates manages to convey a feeling of kinship with the nation’s first black president. What is striking about the bond that Coates feels with Obama, however, is that it is rooted in a retrograde discourse centered on cultural authenticity.

Having been raised by his relatively prosperous white mother and grandparents in Hawaii, Obama had an atypical childhood characterized by lack of want and whites who loved and nurtured him. Though Coates concedes that Obama knew the sting of discrimination, he asserts “the kinds of traumas that marked African Americans of [Obama’s] generation — beatings at the hands of racist police, being herded into poor schools, grinding out a life in a tenement building — were mostly abstract for him.” Instead, Obama “was gifted with a well-stamped passport and admittance to elite private schools — all of which spoke of other identities, other lives, and other worlds where the color line was neither determinative nor especially relevant.” Despite having the opportunity to grow “into a raceless cosmopolitan,” however, Obama made what Coates describes as an admirable choice to be a part of the black community — taking his first steps down this path on the basketball court.²⁰

Anyone who has actually seen Obama should have some difficulty conceiving how he might have lived a life as a “raceless cosmopolitan.” This assertion ultimately reflects Coates’s conflation of both culture and class with race. He praises Obama for his decision to “download black culture” via the game of basketball, and for his willingness to pay a price “for living black, for hosting Common, for brushing dirt off his shoulder during the primaries, for marrying a woman who looked like Michelle Obama.”²¹ For Coates, then, Obama’s blackness is derived not from legal or cultural frameworks that classify people with his parentage as black; Obama’s blackness is wed to his embrace of specific consumer tastes, dating choices, idiomatic expressions, and, ultimately, swag.

20 Ta-Nehisi Coates, “My President Was Black: A History of the First African American White House — and What Came Next,” the *Atlantic*,

21 Coates, “My President Was Black.”

To be sure, Coates sees the aforementioned markers of racial authenticity as outgrowths of a common experience. But African Americans whose experiences deviate from what Coates sees as “the black experience” are not really black. Indeed, while Coates lauds Obama for his decision to embrace black culture, he describes the former president as less black than another African American Chicago politician, Mayor Harold Washington, because Obama’s experiences do not conform to Coates’s view of “the black experience.” And while there is little doubt that Obama’s childhood paralleled that of few other black Americans, in his memoir *Between the World and Me*, Coates likewise describes the upscale African Americans in the Prince George’s County of his youth — a community that is not so unusual — as essentially less black than his peers in West Baltimore.²²

Coates’s cultural nationalism leads him to view the variety of African American experiences through a lens that can pick up little more than gradations of blackness. Consequently, Coates not only misidentifies the root problems with Obama’s policy agenda, but he looks past the ways that Obama used the language of racial authenticity and inclusiveness to mask an agenda that could hardly be described as progressive.

Coates’s approbation of Obama’s decision to embrace “black culture” functions as a kind of backhanded compliment. Specifically, Coates claims that Obama’s atypical experience with whites — the fact that he was raised by his nurturing white mother and grandparents — imbued him with misguided optimism about white racism. Obama, according to Coates, attributes racism to ignorance, or what Coates refers to as “white innocence.” Consequently, Obama rejected race-specific remedies to disparities such as reparations, in favor of a combination of “universal programs” that African Americans would benefit from disproportionately, an aggressive nondiscrimination agenda, and initiatives intended to promote personal responsibility among minority youth such as My Brother’s Keeper.

Though Coates reports that Obama was not opposed to the idea of a black man’s Marshall Plan, Obama argued that the absence of political will

22 Ta-Nehisi Coates, *Between the World and Me* (New York: Spiegel & Grau, 2015), 79-85.

for such a program meant that the better course of action was, as Coates describes it, “to get the country to rally behind a robust liberal agenda and build on the enormous progress that’s been made toward getting white Americans to accept nondiscrimination as a basic operating premise.” According to Coates, however, Trump’s surprise win over Hillary Clinton reveals not only the failure of Obama’s class-centered vision to foster interracial solidarity, but Trumpism is also illustrative of Obama’s naïveté about the force of white supremacy.²³

Though I share Coates’s view that the Obama administration helped pave the way for Trump, the claim that Obama naively pursued a progressive agenda centered on universal programs that was doomed to fail because of white racism rests on sandy ground. First, the three examples of universal programs that Obama cites and that Coates accepts as such are not what social scientists or policymakers generally classify as “universal” programs; rather, the ACA, Pell Grants, and EITC are means-tested programs. Universal programs benefit working people across class lines. Means-tested programs, by contrast, target lower-income Americans. Perhaps innocent of the relevant policy nomenclature, Coates accepts the formulation and thus treats as “universal” programs that are not race-specific. By itself, this use of “universal” might appear to be nothing more than a shorthand. In the context of his critique of Obama, however, Coates’s failure to consider the distinction between means-tested programs and universal programs reveals an analytical blind spot. Since the intended beneficiaries of the above programs represent a fairly narrow segment of society, the ACA, Pell Grants, and EITC were not likely to generate a groundswell of electoral support.

Second, Coates’s contention that Trumpism is indicative of the failure of progressive, class-based policies to overcome racism imputes a progressivism to Obama’s domestic agenda that was not there. Obama’s push to expand Pell Grants and EITC coverage was not likely to ignite the political imagination of even the programs’ beneficiaries, partly because these initiatives have been around since the 1970s. And while the ACA was Obama’s

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23 Ta-Nehisi Coates, “My President Was Black.”

signature legislative accomplishment, Obamacare — whose implementation has still left more than 25 million Americans without any kind of health insurance — is a far cry from a comprehensive national health care program like single payer.

Rather than advancing a progressive agenda targeting the working and middle classes, Obama's economic vision — like Bill Clinton's before him — dashed the hopes of many working people for earning more than pocket change. While union members turned out for Obama in 2008 and 2012, President Obama did little to earn their support. Presidential candidate Obama courted unions with the promise of signing the Employee Free Choice Act (EFCA) and health care reform into law. EFCA would have made it easier for workers to unionize by making card check national law, brushing aside a major barrier to unionization established by Taft-Hartley (1947). Union leaders assured their members that the election of Obama along with an enlarged Democratic majority in the Senate ensured that EFCA would become law; however, Obama, after months of temporizing, officially pulled his support for the bill a little more than a year into his first term. Obama would, of course, follow through on his pledge for health care legislation, but rather than helping unionists, the Affordable Care Act undermined them.²⁴ Inspired by the right-wing Heritage Foundation and Republican governor Mitt Romney's Massachusetts Health Care Act, the ACA threatened to bankrupt union health care funds via a \$63 tax imposed on each trade unionist's insurance policy. The revenue generated from the so-called Cadillac tax financed subsidies for private, for-profit insurance companies, intended to offset the expense associated with the extension of coverage to individuals with preexisting conditions. Unions' nonprofit insurance plans, however, were denied these subsidies.²⁵

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24 David Madland and Karla Walter, "The Employee Free Choice Act 101," Center for American Progress Action, March 11, 2009, <https://www.americanprogressaction.org/issues/economy/news/2009/03/11/5814/the-employee-free-choice-act-101/>.

25 Steven Mufson and Tom Hamburger, "Labor Union Officials Say Obama Betrayed Them in Health-care Rollout," *Washington Post*, January 31, 2014, https://www.washingtonpost.com/business/economy/labor-union-officials-say-obama-betrayed-them-in-health-care-rollout/2014/01/31/2cda6afc-8789-11e3-833c-33098f9e5267_story.html.

Obama would also go on to champion the Trans-Pacific Partnership (TPP), which he hailed as “the most progressive trade deal in history.” Though Obama claimed that the TPP would enhance national security and strengthen workers’ rights and environmental regulations, it would have granted more than 9,000 foreign corporations the right to circumvent regulations pertaining to labor, food and drug safety, and the environment. In other words, the TPP would have undermined democratic governance. The TPP would have also increased the US trade deficit, resulting in the further erosion of America’s manufacturing sector and an estimated loss of more than 320,000 manufacturing jobs a year.²⁶

Union leaders lobbied Obama to use his bully pulpit to press for EFCA, amend the ACA, and reject the TPP, warning the Obama administration that its failure to look out for an important Democratic constituency might result in electoral backlash. As UNITE HERE’s Donald “D” Taylor remarked in response to the administration’s refusal to amend the ACA: “you can’t just order people to do stuff. If their health plan gets wrecked, why would they then go campaign for the folks responsible for wrecking their health care?”²⁷ Obama ignored their entreaties. In fact, even as the Sanders and Trump insurgencies demonstrated bipartisan circumspection about free trade policies — a reality that ultimately pushed centrist Democratic presidential candidate Hillary Clinton to reject the TPP — a tone-deaf Obama continued to stump for the Trans-Pacific Partnership.

By attributing Trump’s presidential victory simply to a racist backlash against Obama, Coates elides the implications of Obama’s policies for those who rejected the third Obama term promised by Clinton. To be sure, Trump’s campaign and presidency have emboldened the so-called alt-right. Former Grand Wizard of the Ku Klux Klan turned neo-Nazi activist David Duke’s explicit affirmation of this fact the morning that neo-Nazi James Fields murdered Heather Heyer in Charlottesville, VA, only confirmed the

26 David Moberg, “8 Terrible Things About the Trans Pacific Partnership,” *In These Times*, December 16, 2015, http://inthesetimes.com/article/18695/TPP_Free-Trade_Globalization_Obama.

27 Steven Mufson and Tom Hamburger, “Labor Union Officials Say Obama Betrayed Them in Health-care Rollout.”

obvious.²⁸ Still, the GOP has been the preferred party of organized white supremacists since Reagan — if not Nixon. So while Trump has animated an element that has long been wed to Republicans for both ideological and opportunistic reasons, he did not escort them to the Grand Old Party.

Hillary Clinton lost the Electoral College and, by extension, the election because she failed to win key counties in Michigan, Pennsylvania, and Wisconsin that Obama had carried in 2008 and 2012. If one reflects on the full implications of this fact, it is hard to imagine that racism would have been the principal reason that whites who had voted for the nation's first black president would have decided, four to eight years later, to vote for its most crassly racist president in recent memory.

It seems more likely that the voters Trump flipped did so because they were disillusioned with Obama's failure to advance a policy agenda that they believed benefited them. The three counties in Pennsylvania — Erie, Northampton, and Luzerne — that Trump flipped were largely blue collar. Likewise, the dozen counties Obama carried that Clinton lost in Michigan included the Detroit suburb of Macomb, and the lower-middle-class swing counties of Calhoun and Monroe. And in Wisconsin, the nearly two dozen counties Trump flipped included a few with the highest unemployment rates in the state — Sawyer, Forest, and Adams.²⁹ Clinton's flaws as a candidate only exacerbated this problem. Her promise of a hybrid third Clinton-Obama term would have been of cold comfort to those with bitter memories of NAFTA, Obama's betrayal on EFCA, and the ACA. And while Clinton reversed her position on the TPP, did anyone actually believe her — especially after she tapped Senator Tim Kaine, who supported both so-called right to work legislation and the TPP?

Given that Trump not only won a higher share of the black vote than either Romney or McCain but also performed nearly as well with black

28 Libby Nelson, "Why We Voted for Donald Trump": David Duke Explains the White Supremacist Charlottesville Protest," *Vox*, August 12, 2018, <https://www.vox.com/2017/8/12/16138358/charlottesville-protests-david-duke-kkk>.

29 Jessica Taylor, "The Counties That Flipped from Obama to Trump, in 3 Charts," NPR Politics, November 15, 2016, <http://www.npr.org/2016/11/15/502032052/lots-of-people-voted-for-obama-and-trump-heres-where-in-3-charts>.

voters as George W. Bush in 2000, some African Americans may have also had bitter memories about NAFTA, EFCA, and the ACA, while those who sat out or cast protest ballots may likewise have recalled the Omnibus Crime Act, Ricky Ray Rector, and maybe even HOPE VI and welfare reform.

None of this is to deny that many white Trump voters — not just the Nazis — harbor noxious views about race. Treating race as if it exists in a world apart from class, however, deprives those of us who would like to live in a more egalitarian society the ability to distinguish between committed ideologues — like Nazis and Klansmen — and reflexive racists who might be won over via platforms based on common interest. Just a few months after President Trump’s inauguration, Sean McElwee and Jason McDaniel argued in the *Nation* that fear of racial diversity trumped class anxiety as a motive among voters who flipped from Obama to Trump. The authors ultimately suggest that class is no longer a meaningful political category, noting that despite the fact that Democrats continue to advance progressive economic policies, non-college-educated whites trended for Trump while upscale blacks trended for Hillary Clinton.³⁰ As I discuss above, however, few unionists would argue that Democrats have advanced a progressive economic agenda in more than a generation. More to the point, the authors ignore the fact that “diversity” has long been synonymous with affirmative action, which conservatives have successfully — though largely disingenuously — equated with quotas and, by extension, white displacement. To whatever extent it is fair to cast fear of diversity as merely a cultural or identity issue, then, is owed largely to the fact that liberals — initially with some prodding from conservatives — have embraced a social-justice discourse centered on inclusion and acceptance of group distinctiveness as an alternative to platforms centered on economic equality. This is an approach that civil rights leaders like Randolph and Rustin anticipated would not only leave most African Americans behind, but it would foster the kind of racial animus that concerns Coates as well as McElwee and McDaniel.

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30 Sean McElwee and Jason McDaniel, “Fear of Diversity Made People More Likely to Vote Trump,” the *Nation*, March 14, 2017, <https://www.thenation.com/article/fear-of-diversity-made-people-more-likely-to-vote-trump/>.

THE UNDERCLASS, POST-RACIALISM, AND NEOLIBERALISM

If Coates's characterization of the progressive implications of President Obama's economic agenda misses the mark altogether, his critique of Obama's emphasis on personal responsibility is better. However, his commitment to black cultural distinctiveness ensures that Coates is only able to graze the central problem.

In recent years, Coates has been one of the more visible critics of what he calls "respectability politics." Coates is, on the whole, appropriately critical of Obama's My Brother's Keeper initiative, which he notes proceeds from the erroneous assumption that African American youth can brush aside the obstacles in their path by simply acting right. Coates is likewise appropriately critical of Obama's admonitions to poor blacks — like in his Father's Day address — to watch less TV, stop eating Popeye's for breakfast, and stop "blaming white people for their problems." Drawing from Obama's own words, Coates attributes the former president's naïve commitment to "respectability politics" to his atypical upbringing. Obama explained to Coates that the commonplace assumption among blacks, "that white people would not treat me right or give me an opportunity or judge me [other than] on the basis of merit" was less "embedded in my psyche than it is, say, with Michelle."³¹ This experience, according to Coates, not only fueled Obama's commitment to the race-neutral, means-tested initiatives that he described as "universal" programs, but it has imbued the former president with a misguided faith in individual solutions to societal problems.

Coates's frustration with personal-responsibility ideology gives voice to a long-standing problem in discourse about inequality. Still, his formulation is inadequate. While Obama's personal experiences with the decent, professional-class whites who raised him may have informed his particular take on this issue, black politicians, scholars, and commentators who have been raised by black parents — including Jesse Jackson, Cory Booker,

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31 Coates, "My President Was Black." (33, 36-39).

William Julius Wilson, Roland S. Martin, Oprah Winfrey, and a list that could probably fill a phonebook of a Midwestern town — have espoused the same rhetoric. The problem here, then, is not reducible to Obama’s loving white mother and grandparents. In fact, if one views Obama’s commitment to personal-responsibility ideology in its broader political and historical context, it becomes clear that —whatever his upbringing’s contribution — Obama’s emphasis on individual solutions to structural problems is the product of underclass ideology.

Though the term “underclass” was coined in the 1960s, it did not become part of popular use until the 1980s. Underclass ideology traced poverty to the specific cultural traits of the poor themselves. Extrapolating from anthropologist Oscar Lewis’s culture of poverty thesis, proponents of underclass ideology alleged that 10-20 percent of the urban black and Latino poor were in the grip of a debilitating dysfunctional culture. Some proponents of the concept, like Charles Murray, argued that the War on Poverty’s expansion of social services compounded the problem by fostering a culture of welfare dependency and a host of related antisocial behaviors — drug and alcohol dependency, promiscuity, a disregard for education, and criminal activity — among poor minorities. The underclass concept meshed with Reagan’s unambiguous repudiation of the idea that democratic governments should intervene in private affairs for the public good.³² Indeed, it is no coincidence that Reagan’s pro-welfare reform quip “we waged a war on poverty [in the sixties], and poverty won” echoed a central theme of Charles Murray’s *Losing Ground*. While the broad coalition of Americans who embraced universal programs (entitlements) as a citizenship right forestalled the neoliberal assault on Social Security and Medicare, no such breadth of support existed for the poor, disproportionately black and brown, beneficiaries of the War on Poverty’s and even the Nixon administration’s means-tested and targeted programs. Reagan thus set his sights on dismantling jobs programs like the Comprehensive Employment and Training Act (CETA), social services like Aid to Families with Dependent

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32 Adolph Reed Jr, *Stirrings in the Jug: Black Politics in the Post-Segregation Era* (Minneapolis: University of Minnesota Press, 1999), 179-180.

Children (AFDC), and, of course, affirmative action. Underclass ideology was pivotal to this front of the Reagan revolution, as it provided the respectable source material for racist tropes like “the welfare queen.”

By the early 1990s, underclass ideology would become bipartisan consensus. In the late 1980s, black sociologist William J. Wilson, a self-identified social democrat, helped remove the taint of racism from the underclass concept. In fact, Wilson would play a pivotal role in rehabilitating Moynihan. Wilson claimed the backlash to the Moynihan report made liberals reluctant to acknowledge the cultural consequences of concentrated poverty, leading them to cede crucial political ground to conservatives. Wilson’s *The Truly Disadvantaged* (1987) thus set out to generate support for a progressive anti-poverty agenda via resurrection and update of Moynihan’s culture of poverty thesis.³³ Unfortunately, the election of centrist-Democratic President Bill Clinton, would reveal the inadequacy of Wilson’s strategy. Bill Clinton’s 1992 platform left little doubt that the Democratic Party of the 1990s owed more to Reagan than Roosevelt or Johnson. Clinton — who carried a copy of *The Truly Disadvantaged* with him on the campaign trail — echoed Wilson’s concerns about crime, welfare dependency, and the prevalence of female-headed households in ghetto communities. Citing Wilson, Clinton was careful to attribute the root causes of ghetto underclass behavior to deindustrialization.³⁴ But instead of pursuing a legislative agenda centered on bolstering the manufacturing sector or promoting unionization, President Clinton jailed the underclass via the Omnibus Crime Act (1994), limited their access to federal financial assistance via the Personal Responsibility and Work Opportunity Reconciliation Act (1996), and razed their homes via HOPE VI (1998). If the Keynesian consensus produced an inadequate War on Poverty, the neoliberal consensus sparked a war on the poor themselves.

Though Coates recites the oft-repeated claim that Moynihan’s advocacy

33 William Julius Wilson, *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy* (Chicago: University of Chicago, 1987), 4, 16-18.

34 “A Visit with Bill Clinton: The Conflict Between the ‘A student’ and the ‘pol,’” the *Atlantic*, October 1992, <https://www.theatlantic.com/magazine/archive/1992/10/a-visit-with-bill-clinton/305065/>.

of benign neglect in the Nixon years and his 1994 remarks about poor blacks' speciation are evidence of Moynihan's post-backlash conversion, this contention erroneously treats Moynihan's shift from optimist to pessimist as if it were a transformation of his conceptual framework. *The Negro Family* proceeded from the explicit view that sustained poverty could generate a self-perpetuating culture that would foil any government effort to eliminate poverty. In the 1960s, this notion — which equated culture with race — was contested. By the time that Hurricane Katrina made landfall in the Gulf Coast in late August 2005, however, underclass ideology had become hegemonic. In fact, even as underclass ideology was at the heart of the Bush administration's and New Orleans city officials' formal rationale for shuttering New Orleans's public housing projects, the term "underclass" was scarcely used, as poor black and brown people had now become synonymous with dysfunction.

By 2008, "serious" black Democratic and Republican politicians — biracial or not — reflexively traded in underclass narratives. Barack Obama, however, did so with a finesse and polish that political commentators and fellow Democrats alike believed augured a transformative post-racial era of American politics. Indeed, Obama's election promised to harmonize political discourse on racial and economic inequality, as his presidential campaign and presidency would further legitimate underclass ideology's project of racializing economic inequality via attribution of poverty to the dysfunctional culture of the minority poor themselves rather than political economy. Obama's contribution would take two forms. First, like a long line of Democrats before him, Obama would emphasize — albeit with quick nods to institutional racism and a soupçon of compassion — the impact of ghetto residents' dysfunctional behavior on contemporary disparities as a pretext for stressing individual solutions to structural problems.

In his breakthrough 2004 DNC keynote, for example, Obama expressed compassion for implicitly white blue-collar workers devastated by the offshoring of unionized jobs, sympathized with hardworking Americans who could not afford necessary prescription drugs, and empathized with suburban voters who objected to their taxes going to welfare or wasteful military

projects. By contrast, Obama's reflections on implicitly black "inner-city" residents stressed the need for African Americans to extricate *themselves* from dysfunction. "Go into any inner-city neighborhood, and folks will tell you that government alone can't teach kids to learn." Obama continued: "they know parents have to parent, that children can't achieve unless we raise their expectations and turn off the television sets and eradicate the slander that says a black youth with a book is acting white."³⁵

Though Obama's chastisement of "inner-city" residents could be read as a counter to Reagan's welfare queen, "A More Perfect Union" — Obama's much lauded March 2008 race speech — made clear that his admonitions were capitulations to the racist underclass trope. Delivered on the heels of the Reverend Wright controversy, Obama's speech was intended to both sever his association with the "militant" minister and position Obama as a healer of racial wounds. To this end, Obama would paint a vivid landscape of transgenerational black social pathologies. Specifically, Obama would attribute Wright's indefensible sermon — damning America for its history of racism in conspiratorial terms — to the psychic scars of wounds inflicted in the Jim Crow era. Obama claimed that many black men and women of Wright's generation were trapped in a loop of traumas long since passed. While Jim Crow had been defeated during the 1960s, its traumatic legacy could be observed in America's inner cities today. After making fleeting references to the long-term consequences of discriminatory mortgage policy and the dearth of employment opportunities for young black men, Obama would turn his attention to contemporary black dysfunctionality. Rather than stressing the material impact of poverty and unemployment on family dissolution, for example, Obama insinuated the *shame* felt by those black men who were inadequate providers was a major contributor to the erosion of the African American family. From there Obama went on to imply his support for Clinton's 1996 welfare reform act, asserting "that welfare policies had for many years" undermined African American family formation.

35 Transcript: "Barack Obama's Keynote Address at the 2004 Democratic National Convention," PBS News Hour, July 27, 2004, <http://www.pbs.org/newshour/bb/politics-july-deco4-obama-keynote-dnc/>.

Obama continued with an acknowledgement that declining support for social services had contributed to the challenges confronting urban black communities. But rather than critiquing the neoliberal consensus that was at the heart of the decades-long retreat of the public sector, Obama asserted a link between the atrophy of social services and a self-perpetuating “cycle of violence, blight and neglect that continues to haunt us.”³⁶

Obama’s 2008 Father’s Day remarks before the Apostolic Church of God in Chicago read from much the same playbook. After reciting the litany of inner-city social problems — high rates of teen pregnancy, female-headed households, poverty and unemployment, crime, school dropouts, and incarceration — Obama once again delivered a short paragraph acknowledging that gun control along with increased funding for education, social services, law enforcement, and job-training programs might alleviate some of these problems. Obama then dedicated the next twenty-two paragraphs to lecturing African American fathers about the importance of personal responsibility, arguing that the failure of too many black men to instill values of excellence, empathy, hope, and self-reliance in their children was a key contributor to ghetto social malaise.³⁷

Obama’s disposition to scold inner-city minorities did not entirely preclude the helping hand of government. However, when combined with his Jedi-mind-trick-like assertion — like in his 2004 DNC address — that inner-city residents did not expect government to solve *all* of their problems, Obama’s embrace of underclass ideology signaled to Democrats and even conservatives that he, like Bill Clinton before him, had little interest in redressing the material roots of inequality.

The second contribution Obama’s post-racial presidency made to the ongoing project to divorce racial inequality from class inequality came in the form of his race and his biography. While Bill and Hillary Clinton’s whiteness left them, or any other nonblack president or presidential candidate,

36 Transcript: Barack Obama, “A More Perfect Union,” NPR, March 18, 2008, <http://www.npr.org/templates/story/story.php?storyId=88478467>.

37 Transcript: “Barack Obama’s Father’s Day Remarks,” *New York Times*, June 15, 2008, <http://www.nytimes.com/2008/06/15/us/politics/15text-obama.html>.

vulnerable to pushback from a reliable Democratic constituency, Obama's actual blackness and his related "performance of blackness" insulated his accounts of African American social pathology and related calls for personal responsibility from the charge of racism. To be clear, I am not questioning Obama's racial "authenticity." To the contrary, since race is an ascriptive category, Obama is unquestionably black, in my view, irrespective of his personal predilections or behavior. But in order for Obama to be an effective post-racial champion of personal responsibility, his biography had to read like the underclass version of a Horatio Alger novel. This would require that Obama project what "blackness" had come to mean in the popular conscience. In other words, America had to accept Obama as a man who *could have* easily become "a statistic," a stereotype, but managed to extricate himself from the tangle of pathologies that ensnared so many of his brothers and sisters. We had to see Obama as yet another black man who had struggled with frustration and anger, who had experimented with drugs, and who had been unsure of the value of formal education because he had been abandoned by his irresponsible black father and raised by his (white) single mother and (white) grandparents. We had to believe that Obama had the strength of character to overcome the odds and go on to earn degrees from two Ivy League universities and ultimately became the first black US president.

Obama did not lie about his background. However, Obama frequently pitched his biography at a level of abstraction that blurred the line between his truth and the mythical "Cousin Pookie." Indeed, the details of Obama's biography reveal the importance of class privilege to his success. Obama's parents did not meet in high school or even "at the club" — they met in college. Obama's father did abandon him and his mother — not because he was ashamed of his meager wages or because he had to do a bid in a state or federal penitentiary, but to attend graduate school at Harvard. Obama's mother surely experienced financial struggles, but she would go on to earn advanced degrees after remarrying a well-educated and prosperous Indonesian businessman. Obama's grandparents did help raise him, but they were solidly middle class or better. Obama may have had some doubts about the

value of formal education as a young man, but he struggled with them in one of Hawaii's most prestigious prep schools. And sure, Obama smoked weed while he was in prep school and college, but good luck finding a white graduate of an expensive liberal arts college or Ivy League University who did not experiment with drugs or alcohol as an undergraduate.

The particulars of Obama's compelling biography should have undercut the sway of his underclass-inflected Horatio Alger success story. The abstract biographical sketch was, however, crucial to his star power as it not only made Obama the multicultural exemplar of the classic American success story, but it conferred to him the authority to admonish poor African Americans for their alleged cultural deficiencies. Indeed, the enthusiasm that Democrats and pundits like Senator John Kerry, Glenn Greenwald, Matt Bai, and conservative David Brooks expressed for him during the 2008 presidential campaign, made clear that Obama's willingness to use his alleged moral authority to chastise black voters was a major source of the appeal of his post-racial presidency.³⁸

Since Obama's class privilege could have left him open to questions about his racial authenticity with far too many African Americans — even if both of his parents had been black — his biographical sketch offered

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38 When explaining his decision to endorse Obama in December 2007, for example, Senator John Kerry not only said that Obama showed “young blacks in America [and] disaffected young people” generally what they could achieve if they “work[ed] at it,” but he went on to say in that same interview “Barack Obama can say things to African American leaders that a white president just can't say....” Journalist Matt Bai's flawed “Is Barack Obama the End of Black Politics?” observed that Obama's post-racialism hinged on the combination of his willingness to both assure white voters that he did not have a chip on his shoulder as with the first post-Voting Rights wave of black elected officials and his related disposition to publicly upbraid poor blacks. Likewise, in the wake of Obama's so-called race speech and Father's Day address, political commentator Glenn Greenwald praised the presidential candidate for having the courage to lecture black people about their own cultural deficiencies, but then went on to urge Obama to step up these efforts. Transcript: Senator John Kerry Discusses Obama Endorsement, ABC News, December 13, 2007, <http://abcnews.go.com/ThisWeek/story?id=4127999>; Matt Bai, “Is Obama the End of Black Politics?,” *New York Times Magazine*, August 6, 2008, <http://www.nytimes.com/2008/08/10/magazine/10politics-t.html>; Glenn Greenwald, interview NPR's On Point with Tom Ashbrook, July 10, 2008, <http://onpoint.legacy.wbur.org/2008/07/10/obamas-rightward-tack>.

some cover with black voters.³⁹ There was, of course, no way to finesse the fact that Obama was a biracial man who grew up in Hawaii, which meant the sketch alone could not suffice. Obama's efforts to position himself as a post-racial president thus required that he perform blackness. In other words, what Coates characterizes as Obama's laudable decision to pay the price for living as a black man is better understood as Obama draping himself in tropes of "the black experience." To have the kind of political career Obama wanted, he needed to join Trinity United Church of Christ, and he, as Coates put it, needed to marry a black woman who looked like Michelle. This is also why it was savvy of Obama to hang out with Common, Jay-Z and Beyoncé (three famous, "authentically black" rich people), and to "brush dirt off his shoulder" while the cameras were rolling. Had Obama failed to appreciate the fact that, at this point, far too many Americans conflate culture with race, black voters might have noticed — long before George Zimmerman's acquittal in the Trayvon Martin murder trial — that the nation's first black president had campaigned on a pledge to accommodate them to a Bill Clinton-like neoliberal agenda that would do little to redress the kind of material issues, such as poverty and unemployment, that disproportionately impacted African Americans.

Indeed, the combination of Obama's use of the underclass metaphor and his actual and "performed" blackness, gave him a comparatively free hand with which to craft an agenda intended to right a listing American economy, absent the kinds of redistributive policies — like revitalization of the public

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39 Questions about his racial authenticity had dogged Obama during his 2000 primary challenge for Bobby Rush's seat in the US House of Representatives. Rush was not just a four-term incumbent, but as a former member of Student Nonviolent Coordinating Committee (SNCC) and the Black Panther Party (BPP) he was an icon of the Civil Rights Movement. Though Obama won the white vote handily, Rush trounced him in the primary by a 2-to-1 margin. In Illinois's majority-black 1st Congressional District, the Ivy League-educated African American state senator from Hawaii lacked the bona fides to unseat Rush, who quipped at the time: "[Barack Obama] went to Harvard and became an educated fool. Barack is a person who read about the civil rights protests and thinks he knows all about it." Janny Scott, "In 2000, a Streetwise Veteran Schooled a Bold Young Obama," *New York Times*, September 9, 2007, <http://www.nytimes.com/2007/09/09/us/politics/09obama.html>.

sector, support for unionization, opposition to free trade, mortgage relief, etc. — that blacks would have benefited from disproportionately precisely because they are overrepresented among neoliberalism’s victims. To be sure, people who identify as “African American activists” — as opposed to, let’s say, those who might identify as black union organizers — are far more likely to make demands for issues such as mortgage relief in terms that center on racial grievance rather than economic inequality. This is one of the reasons that liberals, and even many conservatives, found the prospect of an Obama presidency appealing.

When Obama took office in January 2009, the nation’s economy was a wreck. If President Bush’s efforts to stimulate economic growth via policies designed to swell the ranks of homeowners created a housing bubble, President Clinton’s repeal of Glass-Steagall ensured that when Bush’s bubble burst its effects would ripple through the entire economy. Many Americans hoped that the high-minded Obama would respond to the crisis by drawing from the New Dealers’ playbook. Unfortunately, he would not. Obama did follow through on measures intended to stabilize the US economy. But while the banking and auto-industry bailouts and the stimulus package surely stemmed the bleeding and saved many jobs, they did not address the structural issues that were the root causes of decades of depressed wages. In fact, in contrast to the Roosevelt administration, the Obama administration eschewed labor and housing market reforms that might have shored up the nation’s precarious working and middle classes while opening pathways to the middle class for the working poor and unemployed. Unions, as I have already discussed, did not receive the support Obama had promised.

Though Obama had earmarked \$100 billion of the Troubled Assets Relief Program (TARP) for mortgage relief, by the end of his second term only \$21 billion of these funds had been released. Consequently, fewer than 1 million of the 4 million mortgage modifications Obama had promised had been completed by President Trump’s election. Even the stimulus package was inadequate for the crisis at hand. In fact, economist Paul Krugman had warned as early as January 2009 that the \$787 billion stimulus provided

by American Recovery and Reinvestment Act (ARRA) would surely help, but in taking such a conservative approach — not only was the package too small, according to Krugman, but 40 percent of the stimulus took the form of tax cuts — Obama would fail to stimulate meaningful economic growth and thus squander a political opportunity. Specifically, Krugman feared that the Right would cast an anemic recovery generated by a stimulus that was only large enough to arrest the economic slide but was too small to reduce unemployment and boost consumer purchasing power as yet another example of the failure of big government.⁴⁰

Just shy of a month into Obama's first term, the call by CNBC's Rick Santelli for a Tea Party movement — delivered on the floor of the Chicago Stock Exchange — would mark the realization of Krugman's fears. Though the Tea Party's roots stretched back to the 1990s, the Koch Brothers' funded "movement" capitalized on the economic and racial anxieties of conservative voters. The Tea Party's anti-tax, small-government agenda may not have been formally racist, but well before anyone imagined that Americans were willing to elect a black president, conservatives had succeeded in equating big government, high taxes, welfare, and Democrats with an approach to governance that benefited irresponsible African Americans and poor people at the expense of the implicitly white, sober middle class. Santelli's condemnation of Obama's mortgage-relief program as a boon to profligate losers financed at the expense of responsible, hardworking Americans thus only hinted at a conservative *racial* backlash. Tea Party darling Michele Bachmann, however, had no compunction about casting the financial meltdown in explicitly racial terms.⁴¹

The combination of the Tea Party movement's racist subtext, the Birther movement's racist text, George Zimmerman's shocking acquittal, and a

40 Paul Krugman, "Stimulus Arithmetic (Wonkish But Important)," *New York Times*, January 9, 2009..

41 Amanda Terkel, "Bachmann Blames President Clinton, 'Blacks,' And Other Minorities' for Current Financial Crisis," *Think Progress*, September 26, 2008, <https://thinkprogress.org/bachmann-blames-president-clinton-blacks-and-other-minorities-for-current-financial-crisis-6b95f9812d7/>.

seemingly interminable stream of video footage of police officers murdering or assaulting unarmed, disproportionately black, people literally broadcast the absurdity of post-racialism. Moreover, since Obama's presidency would produce few material benefits for most blacks, the limitations of his symbolic racial victory became clearer even to African Americans who had initially accepted him as role-model-in-chief. Indeed, both because poverty rates were on an upward swing when Obama took office and because the Obama administration did little to redress the structural sources of economic inequality, the percentage of African Americans living in poverty was actually higher when Obama left office than when he assumed it. The cumulative effects of the racially inflected political backlash to America's first black president along with perpetual disparities in the criminal justice system and in the nation's poverty and unemployment rates led many African Americans and even some whites to conclude that Obama's conciliatory post-racialism was not just naïve but it ignored entrenched, structural racism.

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REPARATIONS, RACIAL ONTOLOGY, AND NEOLIBERAL BENIGN NEGLECT

Ta-Nehisi Coates's influence among liberals is among the clearest expressions of the breadth of disillusionment many Americans felt in the post-post-racial era. While Coates's career as an essayist dates back to the late 1990s, the 2014 publication of "The Case for Reparations" catapulted him to stardom. His reparations essay and his subsequent major works stand in sharp contrast to the post-racial promise of the Obama presidency. Whereas post-racialism proceeded from the view that the victories of the Civil Rights Movement had swept aside the major barriers to racial equality for those willing to take advantage of the opportunities before them, Coates's essays presume that racism is embedded in the very structure of American society. Slavery, Jim Crow, FHA mortgage discrimination, disparities in wealth and employment, and mass incarceration are all, in Coates's view, evidence of a systemic racism that has excluded blacks from the promise of American liberty since the nation's founding.

As I have already discussed, Coates's historical and political analyses are inadequate. His contention that racism has prevented universal programs from distributing rewards equitably to blacks and whites obscures the economic imperatives undergirding racial discrimination in housing and labor markets. Coates's critiques of the New Deal, the War on Poverty, and President Obama likewise fail to distinguish between conservative growth politics and progressive redistributive politics. To be sure, Coates has authored a number of impassioned pleas for reparations centered on visceral accounts of black suffering from slavery through the start of the Trump administration. The particular mechanisms that drive the forms of disadvantage that blacks confront in one era as compared with another, however, are of little concern to him.

What is perhaps most striking about Coates's "The Case for Reparations" is that it is not really a case for reparations at all. Coates presents only two historical precedents for reparations. The first example is the case of former slave Belinda Royall who, in 1783, successfully petitioned the Massachusetts legislature for financial support for herself and her infirmed daughter. As Coates makes clear, the state legislature ultimately decreed that Royall would be paid a monthly pension from the estate of Isaac Royall, Belinda's loyalist former master. The second example Coates cites is Germany's restitution to Holocaust survivors and Israel. Since 1953, Germany has paid about \$90 billion in reparations to victims of the Holocaust and Israel. Coates observes that Germany's restitution payments to Israel helped shore up the fledgling Jewish state by financing vital infrastructure projects. Although Coates holds up the Royall case and Holocaust restitution as evidence of reparations' viability, he eschews exploration of the politics undergirding these examples.

Coates's discussion of the Royall case, for example, does not mention that her entreaty was steeped in the language of republican virtue and patriarchal obligation, as the former slave detailed her vulnerability as an aged woman who, having only recently been manumitted, possessed neither husband nor property. Likewise, despite the fact that Belinda Royall's successful petition for recompense was granted the very same

year that the Massachusetts high court declared slavery unconstitutional (1783), Coates gives no consideration to the fact that the Royall judgement was illustrative of a wave of antislavery sentiment — triggered by the democratic impulses that informed America’s war for independence — that swept across New England and the mid-Atlantic states during and immediately following the Revolution. And while Coates mentions that Royall’s former master had been a loyalist, he does not reflect on how this might have influenced the Royall act. Indeed, a judgement for Belinda Royall was as much an indictment of a traitor to the Revolution as it was a repudiation of slavery.

Likewise, Coates lauds the Federal Republic of Germany’s (FRG) decision to make restitution to both victims of Nazi genocide and the newly formed Jewish state, but curiously offers no material explanation for West Germany’s motives. Prior to the 1952 Luxembourg Agreement, conquered nations had paid restitution to their wartime adversaries — i.e., nation-states. The FRG’s decision to make restitution to Israel — which was founded three years *after* the Third Reich’s defeat — and to individual victims of Nazi atrocities, then, was a bold departure from precedent. Even if we assume Coates’s contention that reparations helped “launch Germany’s reckoning with itself” is accurate, the FRG agreed to make restitution because it was under political pressure to distance itself from Nazi atrocities. Nazi Germany had not only attempted to exterminate racial groups and other populations that the regime had deemed threatening or unfit, but the Third Reich had engaged in an expansionist war against nations that were to become West Germany’s Cold War allies. In 1949, the year the FRG was established, many leaders in Europe and the United States were circumspect about the reemergence of a German state in the west. Western allies thus compelled the FRG to make restitution to Holocaust victims as a condition for both its full sovereignty and the end of West Germany’s occupation. So when the Israeli government broached the topic of Holocaust restitution, the FRG was in a particularly vulnerable position. West Germany made restitution to Jewish victims of the Holocaust and Israel, then, not simply because it was the “right thing to

do,” but reparations constituted a partial down payment on the fledgling FRG’s independence.⁴²

The details of these two cases make clear that they fail as precedents for African American reparations. Not only is there no contemporary equivalent to the political antislavery movement that had informed the Royall act, but — in contrast to Belinda Royall — the more than 40 million blacks in the United States cannot expect restitution from traitors to the nation’s independence. Likewise, in contrast to postwar Germany, the US is the world’s dominant ideological, financial, and military power. The nations with which we have warred over the past few decades are, thus, in no position to pressure the US — indirectly or directly — to make restitution to African Americans. Because Coates’s ontological commitment to race can only permit a politics of moral pleading, the specific material and ideological issues that inform political decisions are inconsequential. The only details that matter to him are the grievance and the justness of the cause.⁴³ Coates’s narrow focus on the righteousness of these cases ultimately allows him to insinuate parallels between them and the case for African American reparations in the absence of a material basis for comparison. And since reparations presumes that whites’ pathological commitment to white-skin privilege precludes political alliances — short lived or otherwise — based on mutual interest, Coates’s case for recompense *has to* center on special pleading.

42 Ariel Colonomos and Andrea Armstrong, “German Reparations to the Jews After World War II: A Turning Point in the History of Reparations” in *The Handbook of Reparations*, ed. Pablo De Greiff, (New York: Oxford University Press, 2006), 290-293.

43 In lieu of contextual analysis, Coates describes Royall’s successful 1783 bid for reparations as a rare moment in which the pangs of conscience trumped white Americans’ racist disregard for black bodies. “At the time [of the Royall verdict], black people in America had endured more than 150 years of enslavement,” he says, “and the idea that they might be owed something in return was, if not the national consensus, at least not outrageous.” Coates characterizes West Germany’s decision to make restitution to Jewish Holocaust victims and Israel as the act of a people whose desire to return to the ranks of the civilized world afforded them an opportunity for collective healing. “Reparations payments could not make up for the murder perpetrated by the Nazis,” Coates says, “but they did launch Germany’s reckoning with itself, and perhaps provided a road map for how a great civilization might make itself worthy of the name.” Coates, “The Case for Reparations.” (21-22, 65-66).

But pleading is not politics and Coates's case for reparations is not a blueprint for a feasible political movement. If, as Coates argues, the white working and middle classes are so racist that they elected Donald Trump to erase the allegedly progressive economic agenda implemented by the nation's first (neoliberal) black president, then why would they support reparations — a program from which they could never benefit? While Coates may believe that moral suasion is the engine of political change, the historical record makes clear that coalitions built on mutual interest, rather than the kind of altruistic *noblesse oblige* reparations would require, have been essential to blacks' material advancement. Reparations' appeal, however, is not rooted in its feasibility. This is why the absence of historical precedent for Coates's formal case for reparations is ultimately beside the point. Whatever Coates's intent, the appeal of his work is owed, in large part, to reparations' political *infeasibility*. Indeed, "The Case for Reparations" and all of Coates's subsequent related essays are less calls to arms to end racial disparities, than a case for a national conversation about race — albeit under a different name.

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At its most ambitious, Coates's formal case for reparations is merely a call for moving Representative John Conyers's H.R. 40 out of committee — where it has languished, in one form or another, since 1989 — to debate on the floor of the House of Representatives. Coates's reflections on H.R. 40 make clear that he is willing to settle for far less than material redress. Conyers's bill does not outline a schedule for restitution, but simply calls for exploration of the feasibility of reparations. Still, Coates contends that moving the bill out of committee alone will pay dividends for both blacks and whites. Describing reparations as "the full acceptance of our collective biography — the price we must pay to see ourselves squarely," Coates implies that material compensation may not be a necessary fix for black suffering. "Perhaps after a serious discussion and debate — the kind that H.R. 40 proposes," he says, "we may find that the country can never fully repay African Americans. But we stand to discover much about ourselves in such a discussion..." Insinuating that the exercise alone has the potential to check racism's eternal sway, Coates asserts "the recovering

alcoholic may well have to live with his illness the rest of his life. But at least he is not living a drunken lie.”⁴⁴

Coates’s penchant for substituting metaphor for analysis is more than mere rhetorical flourish. His reliance on moralistic abstractions not only allows him to skirt the political challenges that would confront a movement centered on material compensation for African Americans alone, but it accommodates bipartisan indifference to the damaging effects of neoliberal economic and social welfare policies on disproportionately black and brown working people. Leaving little doubt that his case for reparations owes more to Dr Phil or perhaps even the Rite of Exorcism than the Freedom Budget, Coates concludes his discussion of Conyers’s H.R. 40 by declaring: “What is needed is an airing of family secrets, a settling with old ghosts. What is needed is a healing of the American psyche and the banishment of white guilt.”⁴⁵

Whereas Obama’s soaring post-racialism licensed the continuation of liberal indifference to the plight of economically marginal people via underclass metaphors, Coates’s post-post-racial commitment to racial ontology signs off on white liberal hand-wringing and public displays of guilt as alternatives to practicable solutions to disparities. To be sure, this is not Coates’s formal intent, even if the words on the page imply that Coates might find a racial Festivus to be an acceptable alternative to material compensation. But because reparations is a political dead end, Coates is offering white liberals — and even a stratum of conservatives — who are either self-consciously or reflexively committed to neoliberal orthodoxies, absolution via public testimony to their privilege and their so-called racial sins.

The combination of Coates’s apparent sincerity and his racial militancy help to obscure reparations’ conservatism. Its militant trappings notwithstanding, reparations — a project that presumes the realness of race (the permanency of racism) and the sanctity of private property — is a fundamentally reactionary political program. Coates is no less fond of tales of black pathology than Obama, even if Coates chooses to admonish whites

44 Coates, “The Case for Reparations.”

45 Ibid.

instead of poor blacks. Indeed, Coates's accounts of the material "plunder" of black bodies are often wed to the psychological trauma inflicted on African Americans — from the fear-fueled beatings he received at the hands of his father to the hypermasculine bravado that he inaccurately describes as a uniquely black, male, street code.⁴⁶ Commentators ranging from Michelle Alexander to David Brooks thus frequently remark on the anger and frustration that permeates Coates's prose, as Coates both voices and personifies black alienation. It should go without saying that many black Americans, myself among them, are justifiably frustrated about disparities, the rise of a much emboldened far right, and liberals' failure to deliver on promises to ameliorate inequality. But by embracing a framework that presumes that African Americans are frustrated by an eternal white racism, abstracted from political economy, Coates paints a picture of perpetual black alienation that reinforces — his sincerity and good intentions notwithstanding — the underclass framework that has contributed to liberals' and conservatives' failure to redress structural sources of inequality.⁴⁷

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46 Coates, *Between the World and Me*, 16-17; Coates, "Beyond the Code of the Streets," *New York Times*, May 3, 2013, <http://www.nytimes.com/2013/05/05/opinion/sunday/coates-beyond-the-code-of-the-streets.html>.

47 In his review of *Between the World and Me*, conservative commentator David Brooks indicated that he found Coates's articulation of black "rage" revelatory. Brooks was not altogether sure what to make of all of Coates's assessments of black life, partly because Coates appeared, as Brooks put it, committed to being misunderstood; nevertheless, Coates's characterization of black dysfunctionality resonated with Brooks. Brooks likewise proffered a telling circumspection about Coates's historical analysis. Specifically, Brooks found Coates's allegation of "causation between the legacy of lynching and some guy's decision to commit a crime" unpersuasive. It is not surprising that David Brooks would criticize Coates for failing to consider how individual choice informs outcomes, but Coates's tendency to reduce all systems of inequality to a one size fits all racism leaves him susceptible to this type of critique. David Brooks, "Listening to Ta-Nehisi Coates While White," *New York Times*, July 17, 2015, <https://www.nytimes.com/2015/07/17/opinion/listening-to-ta-nehisi-coates-while-white.html>.

At the other end of the political spectrum, economist Robert Cherry cites Coates's *The Beautiful Struggle* as evidence that poverty alone is not responsible for the disproportionately large number of black perpetrators of violent crimes. Cherry is clear that poverty is the principal contributor to nonviolent crimes and a contributor to violent crimes across racial lines. However, he attributes the higher rates of violent crimes among blacks — when compared with poor whites and Latinos — to a subculture of violence that has taken hold of a stratum of young black men. Cherry ultimately draws

Moreover, Coates's disposition to dismiss those who identify social-democratic policies as the most feasible and effective vehicle through which to bolster African Americans' material standing reveals his own, ironic, commitment to bourgeois politics. While he offers his white, white-collar, cosmopolitan readers absolution, Coates legitimates contempt for the white working class. As I have already discussed, Coates's contention that Trump's strong showing with working-class whites in the 2016 presidential election revealed the depth of working-class whites' commitment to white-skin privilege and the futility of interracial working-class politics, imputes an economic progressivism to Obama and the Clintons that was not there. But by attributing Hillary Clinton's loss, in part, to a pathologically racist white working class that regularly votes against its own economic interests, Coates legitimates a neoliberal agenda embraced by the Clintons, Obama, and the DNC — that has come to treat identity politics as the *realpolitik* alternative to a progressive, truly universal, economic program promising tangible rewards for working people. Indeed, during the 2016 Presidential primary, both Coates and the Clinton campaign chastened Senator Sanders and his supporters for allegedly deflecting attention from structural racism.

If one reflects on Hillary Clinton's attachments to underclass-fueled rationales for the Omnibus Crime Act, Clinton and her surrogates' criticisms of Sanders and his supporters were transparently disingenuous. The motives behind Coates's criticisms, by contrast, seem to stem, at least in part, from his belief that a politics centered on workers' rights is necessarily antagonistic to policies like affirmative action. As I have argued

from Coates to buttress a Moynihan-like narrative chastening those progressives who — in the 2016 election season — called for an economic response to black poverty. Ironically, Cherry used Coates to place Hillary Clinton's 1994 super-predator remarks in what he believed to be the appropriate context. When one considers the role that underclass ideology has played in foreclosing attempts to redress material sources of inequality, Cherry's use of him offers insights into the inadequacies of Coates's framework. Robert Cherry, "Race and Rising Violent Crime," *Real Clear Policy*, February 16, 2017, http://www.realclearpolicy.com/articles/2017/02/16/race_and_rising_violent_crime.html.

elsewhere, however, the groundwork for affirmative action, whatever its limitations, was laid by the New Deal. The National Labor Relations Act (1935) established a precedent for government intervention into the employer-employee relationship for the public good. Just as the right to collective bargaining constituted an exception to “liberty of contract,” so, too, does antidiscrimination legislation.⁴⁸

The parameters and function of even targeted programs are necessarily shaped by their broader political and ideological context. Coates’s commitment to racial ontology, however, precludes any serious attempt to either ground racism in the material world or to historicize liberal policy prescriptions beyond their failure to redress disparities. But if the endgame is to address the economic disadvantages that blacks face and, by extension, the attendant social problems that afflict lower-income black and brown communities disproportionately, it is difficult to see how the neoliberal consensus — which is antagonistic to the notion of government intervention for the public good — could engender targeted initiatives that benefit poor and working-class blacks rather than elites. Indeed, it is no coincidence that affirmative action’s focus shifted from material redress to diversity at the dawn of American neoliberalism. It is likewise no coincidence that in an era in which neoliberalism has become hegemonic, social justice has come to merge with entrepreneurialism — producing a “progressive” politics that not only casts charter schools, NGOs, and sundry internet startups as alternatives to state action, but lionizes black/brown businesspeople (including the occasional rap and R&B mogul) as the new generation of civil rights leaders.

Reparations’ repudiation of post-racialism’s absurd claim that the principal obstacles confronting blacks in the twenty-first century are poor blacks’ social pathology and middle-class blacks’ anachronistic cynicism is not without value. When articulated by the nation’s first “authentically” black president, post-racialism legitimated the Democratic commitment to

48 Touré F. Reed, “Affirmative Action’s Labor Roots,” *Jacobin*, January 21, 2016, <https://www.jacobinmag.com/2016/01/supreme-court-scalia-fisher-texas-bakke-affirmative-action-civil-rights/>.

neoliberal economic and social welfare policies that promised poor blacks few, if any, material rewards and middle-class blacks a seat at a shrinking table. Coates's instincts about the limitations of personal responsibility ideology, then, are basically correct. Unfortunately, the benefits derived from Coates's critique of post-racialism's basic tenets are more than offset by the problems engendered by his commitment to ontological racism. Specifically, Coates's insistence that race operates independently of economic exploitation not only obscures the cause of these inequities, but his mystification of race permits no tangible solutions. I will take a moment to dabble in the mystic's trade to channel the spirit of Phaedra Parks and bluntly state that everybody knows that reparations ain't gonna happen — certainly Coates's white readers know this. But consider what that means. Coates identifies reparations as the only fix for the racial inequities he traces to an ineradicable racism. Since reparations is not a feasible politics, Coates's fatalism about racism — his good intentions notwithstanding — licenses perpetual inequality. Simply put, if white racists will always be with us, as Coates suggests, then poor blacks will always be with us too.

Postwar liberal orthodoxies have failed to redress racial disparities. The culprit, however, is not the sway of a metaphysical racism, but rather the roots of contemporary disparities can be traced to far more comprehensible forces such as: the tensions within the New Deal between the regulatory and compensatory state models and the related mid-century tensions between institutional and commercial Keynesians; the contrasting influences of the New Deal and the Cold War on the parameters of liberal discourse about race and inequality; and neoliberalism's rise from the ashes of the Keynesian consensus. In other words, the problem is not, as Coates insists, that liberals have long attempted to redress black poverty by reducing racism to class exploitation, resulting in universal policies that focus on economic sources of inequality as an alternative to addressing racism. Indeed, since the 1960s, liberal policymakers have generally ignored the impact on African Americans of issues such as deindustrialization, the decline of the union movement, and retreat of the public sector. Whereas the Keynesian consensus still allowed liberals of the 1960s and 1970s to

pursue anti-poverty policies centered on the expansion of social services and even state-centered regulation of employer-employee relations via affirmative action, the neoliberal consensus ensured that centrist-Democratic presidents Bill Clinton and Barack Obama would pursue agendas that chipped away at the public-good framework that established the rights and protections that have benefitted disproportionately black, poor, and working-class Americans at the very same time they either championed or personified diversity.

In this context, Coates's insistence that so-called racial issues exist in a world apart from economic issues is not a critique of postwar liberalism, but it is, at best, a call for continuing along the same path that has failed most black Americans since the Johnson administration. At worst, it is a call for no more than ritualized acknowledgment of white privilege and black suffering.

Racial ideology does, indeed, inform how we perceive people and their place in the pecking order, as is its purpose. Racism, thus, influences inequities. It does so, however, within a larger political-economic framework. Efforts to redress racial disparities that do not consider the work that race does in American labor and housing markets will be doomed to fail, just as they have since the War on Poverty. So, while it is unlikely that Coates set out to be neoliberalism's most visible black emissary of the post-post-racial era, his insistence that we must treat race as a force that exists independently of capitalism has, ironically, earned him this accolade. ✎

REED

Issues of gender and sexuality are dominating the American public in a way that has few precedents in the recent past. From the alarmingly open misogyny of the president to the cascading revelations of sexual attacks in the workplace on one side, to the energy behind the historic women's marches on the other, gender relations have risen to the top of the political debate. In a wide-ranging conversation, historian Stephanie Coontz places the current juncture in historical perspective, and offers her thoughts on how gender relations have been affected by the recent stagnation in working-class incomes and skyrocketing inequality. She closes with an eloquent plea to integrate gender politics into a broader progressive political vision.

CAPITALISM AND THE FAMILY

AN INTERVIEW WITH
STEPHANIE COONTZ

CATALYST: Your intellectual project has been a remarkably consistent examination of the family and gender relations in the modern era.¹ How did you come to that focus?

COONTZ: I was always interested in social history. When I was in high school, I won the Daughters of the American Revolution Award for history, which they may have regretted because my father was a Marxist economist. Because of him, I read things like *Man's Worldly Goods* and Bertolt

1 Stephanie Coontz and Peta Henderson (eds.), *Women's Work, Men's Property: The Origins of Gender and Class* (London: Verso, 1986); idem. *The Social Origins of Private Life* (London: Verso, 1988); idem. *The Way We Never Were: American Families and the Nostalgia Trap* (New York: Basic Books, 1992 and 2016); idem. *The Way We Really Are: Coming to Terms with America's Changing Families* (New York: Basic Books, 1997); idem. *Marriage: a History — from Obedience to Intimacy, or How Love Conquered Marriage* (New York: Viking, 2005); idem. *A Strange Stirring: the Feminine Mystique and American Women at the Dawn of the 1960s* (New York: Basic Books, 2011); idem. *American Families: A Multicultural Reader* (New York: Routledge, 1998 and 2008).

Brecht's poem, "A Worker Looks at History" when I was in high school. As I went through college I realized that my dad's Marxism didn't really explain some of what I was running into in the sixties, issues of race and gender, and also things like outbreaks of irrational rage and violence, like the witchcraft persecutions of the sixteenth century, which were neither aimed at women by men, as many feminists claimed, nor represented attempts by the upper class to control the lower.

Still, one of Marx's most fundamental insights was this idea that has been since expanded by some theorists into the notion of social location. It explains how the way you relate to other people and to society's institutions — and they to you — in the process of making a living and seeking to sustain yourself and your family, and also the rules and values you develop and encounter because of your gender or race as well as your class, are critical in understanding how people organize and conceptualize their lives. I remember being very struck when I first began to look at how class position affected people's outlooks. I developed an analogy about the way we look at a crosswalk when we're driving a car versus when we're walking and wanting to cross the street. And what if all your life, you've only driven cars or only walked down the street. But of course nobody runs their life on the basis of "oh this is in my immediate interest and I don't care what anyone else needs." Or at least very few of us do. As social beings, we want to believe that what we do has meaning and is not just purely selfish. And to push the analogy, some people who drive a lot might be in relationships with people who walk a lot, so sometimes they can see beyond their own reactions.

So I've always been intrigued by the relationship between people's social location and class interests and the way that we filter the needs produced by those through our desire to believe that we are meaningful and good human beings. And eventually that led me to be interested in how people come to struggle for social justice, as well as how people reconcile acceptance or promotion of injustice with what I believe is a fundamental social impulse toward reciprocity. For example, I came to believe that the witchcraft accusations, which tended to flow, not from the rich to the poor, or vice versa, but from people slight better off toward people slightly

below them, were often triggered by guilt or fear about withdrawing from traditional neighborly relations of reciprocity.

Before I started studying women's history in depth, I was trying to understand the development of racism from that perspective. For example, I was struck by the way that capitalism fostered a progressive ideology of equality, and yet actually helped produce a much more coherent and far-reaching ideology of racism than had existed in hierarchical precapitalist societies. I began to see racism as a way that people reconciled their material interests in slavery, or their acquiescence to its continuation, with their belief in equal opportunity. And I noticed a similar dynamic in the development of biological theories about women's inability to participate in the freedoms supposedly being granted to men.

By the time I was hired to teach at Evergreen, I was very interested in women's history. An editor at The Feminist Press suggested I submit a book proposal on the history of women and I started to write it. But at that time, in the late seventies, it seemed like the book might evolve into just either what's been done to women through the years or what women have done in spite of it. So I began to look for a place where I could study women and men in the kind of complicated, ambivalent interactions that had started to fascinate me. And after a while it was like, "Oh, duh, the family!" That's what started me on that road.

But of course the family at that time was also at the center of a lot of feminist debates, as it was typically the domain in which you see male dominance really expressed and organized. How did that milieu influence you at the time?

Well, I was certainly a supporter of feminism, but I was always bothered by concepts like "the patriarchy," which struck me as extremely ahistorical, and also from studying witchcraft, where accusations flowed between women (neither the very poorest nor the very richest of different families). I was fascinated by how complex people's assessments of their interests,

entitlements, and rights can get. I wanted to get past seeing the family as just a locus of oppression without reducing it to only an interpersonal relationship.

Did you then come to view the family differently as your scholarship progressed, or did the scholarship more or less confirm what you had come in with?

My research increasingly changed my point of view. Working with an anthropologist colleague, I began to see that the very mechanisms that initially reproduced cooperation and reciprocity in early foraging and horticultural societies also undermined both social and gender equality. Obviously, the family has long been a source of coercion and domination of women. But it's also been a way of dominating men. First because parental control over women's mating choices was also a way of controlling young men, and much later in history, because men's responsibility for women has kept their shoulder to the grindstone, so to speak. The family regulates and polices its members but also protects them in some ways. It's a site of struggle and accommodation as well as a site of control. Families have been shaped by and for the existing hierarchies of societies but sometimes they have changed in ways that weaken or challenge those hierarchies. As I began to see how much family life has changed over time, and how complex its dynamics have been, it made me question whether something like marriage was an inherently oppressive institution. I no longer believe that it is, even though we still carry a lot of baggage from the days when it did serve as a major way of enforcing gender, racial, and class power relations.

I also think we need to distinguish between personal and structural male dominance. When a man works extra hours every week to support a stay-at-home wife, it's hard to say he is oppressing her, even though this social practice reinforces women's secondary place in society and even his own wife's sense of dependence on his good will.

Let's focus for a second on the working-class family. There has been a view that Jane Humphreys, for example, articulated in the seventies: that the working-class family wasn't just a site of oppression, but also a place in which working people tried to defend their interests against employers and make their way in a brutal market economy. Is this the view that you think you increasingly came to?

Yes, the family has been a place that fosters male entitlement over women and children but also provides some protection for them. It allows employers to pay workers less than is actually required for their reproduction but it's also been a place of where workers have resisted exploitation. It's a site of internal struggles between men and women and children and also a site of altruism and love. If you go back to the notion that Marx raised about how social relationships involve relations of production and cooperation, the family is a perfect example of a place that involves power and coercion but also cooperation and mutual need. In turn, it can help us understand some of the contradictions and ambivalence we see among people whom we might think ought to be more directly "class conscious" about their opposition to employers or corporations.

Your work has not just pointed to the variability of family forms in history, but also in the recent past, within the capitalist era. Let's focus on one particular form of the family that has figured prominently in your work, which is this male breadwinner family. You make the argument that not only is the nostalgia for this as the classic family form misplaced, but it fails to see that the life of this particular form was actually quite short, only a few decades. How long was this lifespan, what conditions enabled it to sustain, and which then eroded it?

There were only a few decades that the male breadwinner family was a reality for the majority of families. It wasn't until the early 1920s that a majority of kids grew up in a home where the mother was not either working alongside

her husband on a farm or a small business or going out to work for wages, or the kids themselves weren't going out to work for wages. In the early days of the industrial revolution, wives would tend to take outside employment when their children were young, the opposite of today, because their infants and toddlers could not contribute to the family economy. When the children were old enough to go to work, the wife would when possible withdraw from the labor force and use her time and expertise to stretch the money that the kids and the father brought home and increase the use value of the goods that could be bought with that money. She would do a lot of internal production, and she would also often bring in extra work by taking in sewing or borders. So, until the 1920s, most wives were still working beside their husband on farms or in small businesses or going out to work until the kids could work, then earning money or stretching it at home while the kids were at work. The male breadwinner family with mom at home with parenting her main job and the kids at school until their late teens, became just barely the majority parent-child arrangement in the 1920s, faded in the Depression and WWII, and roared back for a brief period in the exceptional postwar economic boom.

COONTZ

But the ideology of the male breadwinner family developed earlier than the reality, and did so as a very interesting departure from earlier gender and family ideals. In premodern societies, you had a male boss family, yes, but he was boss of the family labor force and women were considered absolutely vital to that. That's why they were called yoke-mates and help-mates rather than "the little woman" or "the better half." Their exclusion from legal and social rights was justified not on the basis that they were incapable but because every relationship had to have a superior and a subordinate, and they were subordinate to the male household head. My favorite example of this is a colonial sermon to wives that was very widely reprinted: "Yea though thou may have greater faculties of mind than thy husband and be in many respect of greater parts and brought more estate with thee at marriage. Yet since he is thy husband, the Lord has sent him above thee." You might be smart, stronger, richer, but since every relationship has to have someone in charge, and that's the husband, too bad.

But the flip side of this was that the woman who owned or inherited property, or was a widow or an unmarried woman of wealth and rank, was not excluded from the economic, or even the political, realm. Such women were in a sense treated as social “males.” Rank outweighed gender in some very important ways.

But as a market economy developed and household production and exchange were eclipsed by wage labor and cash exchanges outside the home, it was more difficult to combine the tasks of economic production and family reproduction. And in the absence of a consumer society where you could use your money to buy finished products, it made more sense for one person to stay and finish off those products. That could often improve the livelihood of the family more than sending everyone out for small wages. So you began to get this market economy pulling men and kids out of the home, leaving married women there. But at the same time, new ideologies about democracy and equality — the injustice of hierarchies imposed by noble blood — threw into question the old justifications for female subordination. And the new ideals of the Enlightenment and the bourgeois democratic revolutions helped produce the new ideology that I’ve described in my book about the emergence of love match, the idea that young people should choose their mates for their own reasons and not have to follow their parents’ wishes. All these things came together in a redefinition of gender that was extremely powerful, quite seductive, but also ultimately incompatible with the equality it supposedly furthered. We’re still struggling with the remnants of that ideology — of the female as nurturer — today.

Which period are we talking about here?

The seventeen and eighteenth centuries. The new ideology of democracy rejects the idea that some people must be subordinate to others because of a social hierarchy. And yet you do need women in the home and you’ve got this increasing division of spheres between husbands and wives. And

you've also got a lot of anxiety about the love match — what will keep people from staying single if they don't find love, or getting divorced if love dies? How will we maintain gender order if love is more powerful than parental authority? And gradually a new ideology emerges that says no, it's not because women have to be subordinate to men that men are in charge of the outside world and women in charge of the home. It's because men and women have totally different capabilities and needs. Men and women are total opposites, each incomplete without the other. In premodern Europe and colonial America, women were expected to be tough enough to wring a chicken's neck and drive a hard bargain at the marketplace. It was not unmanly to weep, and men were in charge of arranging many social events, keeping track of kin, and arranging weddings. Women were actually considered the lusty sex, more prone to sexual error, and there was very little sentimentality about their maternal role.

But now all these shared traits increasingly got divided up. Men were to be tough, shrewd economic actors. Women were too weak to handle such a competitive environment, but they were the keepers of sexual and moral virtue, the nurturers, the social arrangers. In this view, men and women can get access to the resources, emotions, skills, and capabilities of the other sex only through marriage. And men aren't in charge because society decrees they're the boss. They're in charge because women are too delicate to do the kinds of things men have to do. Men need to protect women and they want to protect women because women represent these higher — almost precapitalist, if you will — communitarian kinds of values that men no longer have access to. So women are dependent, they have to be taken care of, but they also occupy the moral, caring high ground.

For many women who were accorded the honor of True Womanhood — and this did not include African-American women or others who worked alongside men — this seemed in many ways a step forward. A wife was now told no, it's not that you have to be subordinate to your husband, but that you have higher things on your mind than he is allowed to have. Well, that offered a sense of self-esteem that was not available in the older gender hierarchy and many women bought into it. And for many working-class

women and men it became an aspirational notion — and also a powerful argument to win support for certain wage demands. They could argue that if indeed men needed to be the providers and women were too weak to do this and needed their protection, then men ought to be able to earn wages that allowed them to become male providers. So, for all these reasons, both the psychological and self-esteem reasons, and the class interests, this concept of a male breadwinner family took root long before it was capable of actually being put into practice. And these ideas hold tremendous attraction to some people even today.

Let's dwell a little bit longer on these decades in which the male breadwinner families consolidated. What you seem to be saying is that for women, it wasn't a simple issue of subordination to men. On the one hand, you can see it as kind of an escape from wage labor because in the nineteenth century, working conditions were pretty brutal, especially when you add on the extra responsibilities that women had to take on with childbirth. But on the other hand, once they exit the labor force, they are also becoming very dependent on men.

You can see this trade-off as early as the nineteenth century. Nancy Cott studied the diaries of middle-class women experiencing this transition to the idea of the nurturing female homemaker.² She found that their diaries (and I've seen this in the public writings of nineteenth-century women as well) reflect a new sense of themselves as morally superior to men, who are caught up in the impersonal world of materialism and cash exchange. But there is simultaneously a new self-doubt about the worth of the work they do at home — an anxiety to, so to speak, prove themselves worthy of their keep, since they're not providing for the family. Women lose their sense of themselves as productive co-providers for the family. They have to make up for it in the realm of love.

2 Nancy Cott, *The Bonds of Womanhood "Woman's Sphere" in New England, 1780-1835* (New Haven: Yale University Press, 1997).

In your work you make this point that before the emergence of modern feminism in the 1960s there was also kind of a mini-feminist explosion in the 1920s. What enabled this feminist turn, and why was it so ephemeral?

Well, there was an even earlier period when you had an outbreak of what we would today consider a feminist thought. And that was during and right after the American Revolution and the French Revolution, when some people thought that the idea of equality ought to be taken really seriously and extended to issues of gender and class. New Jersey actually admitted women to the vote. There was a lot of feminist literature. I remember a widely circulated one off the top of my head — “Then equal laws let freedom find and no one than oppress. More freedom give to womankind or to mankind give less.”

But it subsided as the revolutionary fervor died down, more conservative forces came to the fore, and the realities of life made it clear that in fact, the objective basis for a modern feminist movement wasn't there. Then in the early twentieth century, a couple of things changed. More women joined the workforce and the development of a consumer society drew even non-employed women into the public sphere. Women took part in the war effort, and the long-standing suffrage movement became more militant and visible. At the same time, the contradictions of the Victorian cult of opposites led even some mainstream thinkers to believe that men and women should be freer to socialize and get to know each other before marriage. And during the roaring '20s, you got a sexual revolution that was more radical in comparison to older values than even the one of the 1960s. To the horror of middle-class traditionalists, boys stopped coming to “call” and sit in the parlor or on the front porch and instead picked the girl up to go out on a date. Contemporaries worried that the car was a “house of prostitution on wheels.” But old-school feminists were disappointed by the emphasis on sexuality and personal liberation and worried, correctly, that this didn't really change the conditions that made wives subordinate

to husbands and stood in the way of full emancipation. At any rate, all these different strands of feminism and female assertions of independence receded during the pressures of the Depression and WWII. And even before that, the appropriation of Freudianism to sanction female sexuality, but only within a very rigid formula, was working to create the ideology that Betty Friedan was later to describe as “the feminine mystique.”

What was it about the Depression that pulled women back into the household? One would’ve thought that as wages were plummeting, both parents would have been pushed out into the economy, maybe triggering women’s exit from the household?

Well, despite the efforts of many feminist and socialist activists, the early-twentieth-century redefinition of femininity did not really challenge the overall ideology of the separateness of men and women. It merely gave it a different, more sexualized twist. In both middle-class and working-class circles, masculinity was as much, or perhaps more than ever, bound up with breadwinning. So when the Great Depression came and men began to lose their jobs, and women did have to either go out to work or do even more household production, there was a sense of resentment — on the part of women as well as men, but particularly a sense of a loss of masculinity among men. And there was a tremendous hostility toward women workers on the grounds that they were taking jobs that men could have and should have filled.

So let’s move to the 1950s. In *A Strange Stirring: The Feminine Mystique and American Women at the Dawn of the 1960s*, you make an argument that this decade was contradictory in how it affected the family. On the one hand, there is a backlash against the insertion of women into the labor force in the war years, and a reassertion of patriarchal ideology, and this pulls women back into the home. But

on the other hand, there are also economic forces pulling them back into the workforce, and hence laying the foundation for the erosion of the male-headed household. And this is what leads, a few years down the road, to the rise of the women's movement. So how do we understand that decade?

The fifties were just built to self-destruct. The very things that made them the epitome of the male breadwinner family and made it look like they were the golden age of family life also worked to undermine that family. If you look back at just before World War II, you've gone through the Depression at this point, and the women old enough to have had to work or who have had to postpone marriage are ready to settle down. And WWII comes, so young couples marry in a hurry. And in 1946, after the men come back, there's a big increase in the divorce rate because some of these marriages were just too hasty and didn't work. But for the ones who didn't divorce, even though most women who had gone to work didn't initially want to quit their jobs, they were faced with tremendous pressure from political leaders, employers, and most veterans themselves to give those jobs back to the men. Only a few unions, like the UAW, wanted to campaign for full employment so "Sister Sue" as well as GI Joe could work. And even women like my mom, who had worked in the shipyards and was outraged to be handed a pink slip as soon as the GIs started coming back, had their own desires to start a family after postponing it for the war and seeing older women who had actually had to forego it because of the Depression. So if they were already married, they started having kids and dropped out of the workforce, and if they weren't married, they started marrying earlier, because, after all, it seemed that the men were getting these good jobs and could afford to get them the kind of homes and comforts which everyone had done without for so long.

But this rush into early marriage and childbearing paved the way, both materially and psychologically, for the erosion of the 1950s marriage regime. If you've been told that marriage is going to be the greatest thrill of your life, and it's only the wedding day and the childbirth that turn out

to be the greatest thrill, because after that it's just more of the same ... well, you get this increasing sense of desperation, or at least discontent. Long before Betty Friedan, magazines and psychologists were wondering why a generation of women that "never had it so good" turned out to be so restless and anxious. And the women I interviewed from this era almost all reported this tremendous guilt because they *were* living better than their parents but they still felt something was missing. Friedan did an amazing service to many housewives by giving them a name for their discontent and telling them that it wasn't because they were psychologically non-women or immature that they were feeling this way, it was because they were real human beings who had every right to want to do meaningful work and to have something outside the home.³

In this newly expanding economy, you also have greater numbers of young women being sent to college by their parents. Many parents thought they were sending the boys to college to get a good job and the girls to college to get a good husband, but that didn't always work out that way. A lot of the girls who were sent to college found that they would really like to have a job, and when they did marry and drop out of college, they missed the intellectual excitement they had experienced. So you had all this discontent rising from many sources, even before it was accelerated by the radicalization of young people around the Civil Rights Movement, the antiwar movement, and women's growing outrage when they weren't allowed to participate in those struggles as equals.

But here's another important source. The very same economic boom and expanding consumer society that made the male breadwinner family possible created a demand for labor that young single women were not able to fill — not with half of all women getting married before they turned twenty-one. If you were going to recruit new workers, you had to turn to married women, even if most of them were brought into part-time jobs, a kind of reserve army of labor. Employers who wanted and needed help had to make it easier for women to work. They needed to provide breaks

3 Betty Friedan, *The Feminine Mystique* (New York: Norton, 1963).

and make work attractive to women. And on the supply side, the gradual improvements in birth control made it easier for women to postpone marriage, while the spread of household conveniences made it easier for married women to return to work. The result was that women streamed into the workforce during the 1950s and 1960s. And even though many women felt guilty about liking their jobs, nevertheless, you got to a certain point where work, or the expectation to work, outside the home became a central part of women's identity.

Since the early years of the feminist movement, it's remarkable how deep the erosion of traditional gender norms has been, especially in the social-democratic countries. What is your assessment of the recent advances, both in Europe and in the United States?

COONTZ

Well, we've had some recent reminders of how persistent sexism is, but when you think about just how large a glass we have to fill to bring women up to the same level as men, I think it's fair to say that the glass is considerably more than half full. It's absolutely clear that the ideology of gender equality has made astounding strides in principle but also in daily life, particularly in marriage. It's interesting that we used to think of marriage as the most oppressive institution, but actually, at least among the young, married men tend to be much more egalitarian in their behavior and values than their unmarried counterparts. Unlike the recent past, marriage no longer triggers a backsliding among gender-egalitarian couples in their behavior. Childbirth does, but that is in part because of the constraints of inadequate work-family supports, and, especially in America, the heavy rewards for overwork, which perpetuate old patterns by making it costly for men to cut back.⁴

4 Council on Contemporary Families (CCF), Brief Report, "Overwork May Explain 10 Percent of Men's Wage Advantage Over Women." July 2014, <https://contemporary-families.org/gender-revolution-rebound-brief-overwork-explains-wage-differences/>, accessed February 18, 2018.

In Europe, where parental leave policies and good childcare make it easier to combine work and childrearing, marriages are less stressed and parents reports higher levels of happiness compared to non-parents than in the US. And in countries with strong work-family policies, dual-earner couples now have lower divorce rates than male breadwinner families.⁵

At the Council on Contemporary Families, we've hosted several debates about whether the gender revolution has stalled.⁶ Most recently, David Cotter and Joanna Pepin reported that high school seniors had shown an increase in some forms of traditionalism, and Nika Fate found the same thing for male 18-25 year olds in the General Social Survey (GSS) up to 2014. The 2016 GSS, by contrast, recorded new highs in support for gender equality.⁷ On the other hand, Donald Trump's campaign certainly tapped into a thick layer of misogyny, and the #MeToo movement has exposed how much sexual and gender harassment still exists.

So, it's a mixed bag. Working-class occupations in the US remain heavily segregated by gender. On average, women still earn less than men at every educational level. Interestingly, the highest gender gaps are in the highest paid occupations, though it used to be that the highest paid women earned only as much as the average-paid men. Now they greatly outearn such men, creating complex interactions between — and responses to — class and gender dynamics.

In married life, we see signs of men's increasing acceptance of female achievement. Until the 1980s, if a woman had more education than her

5 CCF Brief Report, "Parenting and Happiness in 22 Countries," June 2016, <https://contemporaryfamilies.org/brief-parenting-happiness/>; CCF Brief Report, "Gender Revolution and the Re-stabilization of Family Life," August 2015, <https://contemporaryfamilies.org/gender-restabilization/>, accessed February 20, 2018.

6 CCF Brief Report, "Back on Track? The Stall and Rebound in Support for Women's New Roles in Work and Politics, 1977-2012," July 2014, <https://contemporaryfamilies.org/gender-revolution-rebound-brief-back-on-track/>, accessed February 18, 2018.

7 Joanna Pepin and David Cotter, "Trending Towards Traditionalism? Changes in Youths' Gender Ideology," CCF Online Symposia, March 2017, <https://contemporaryfamilies.org/2-pepin-cotter-traditionalism/> accessed February 18, 2018. Barbara J. Risman, "A new generation wrestles with the gender structure," Oxford University Press blog, February 19, 2018, <https://blog.oup.com/2018/02/millennial-generation-gender-structure>.

husband, that was a divorce risk. Today, it is not. Recent studies show that when women earn more than their husbands, that too has ceased to raise the risk of divorce. And in a study that delights the hearts of most heterosexual women who hear about it, a study of marriages formed since the early 1990s shows that couples who share childcare equally report higher marital and sexual satisfaction than couples with a more traditional division of labor. They, along with couples who share housework equally, are the only couples to report having more sex than their counterparts in the past.⁸

Still, only 30 percent of the couples in this study did share childcare and/or housework equally, so we have a ways to go. And I think that we may face an upper limit on how far we can go without paying considerably more attention not just to bringing women into the workforce and making it possible for them to combine work and family, but to bringing men into the family and making it possible for them to combine family and work.

Another unsettled question is how the interaction will play out between the increase we've seen in support for gender equality and the resentments, fears, and mistrust spawned by the growth in income inequality and insecurity. Will the need for dual-earner families continue to increase the respect for women's roles as co-providers? Or will the focus on the gender grievances of women in the upper echelons evoke a backlash among sections of the lower-income working class?

OK, so let's move to this issue of inequality. A great deal of recent research shows that, over the past thirty or so years, there has been a kind of a bifurcation of what's happening in the family and marriage amongst college-educated, wealthier women on the one hand, and working-class women on the other. Marriage rates are collapsing and

8 CCF Brief, "A Reversal in Predictors of Sexual Frequency and Satisfaction in Marriage," June 2016, <https://contemporaryfamilies.org/sex-equalmarriages/>, accessed February 18, 2018.

divorce rates rising in the latter group, while marriage remains relatively high and divorce falling among richer women. So as regards the family, class experiences seem to be sharply diverging, more so than in the postwar decades.

Yes, a huge class divide has opened up in marriage and divorce rates. In the 1960s, marriage rates differed very little by education and income, with high school grads most likely to marry and highly educated women least likely. Today high-earning and highly educated women are much more likely to marry and much less likely to divorce. There are lots of reasons, including high incarceration rates and changing cultural mores, but one critical reason is the increasing insecurity, unpredictability, and inequality of working-class men's long-term wage and work prospects. This makes them less desirable marriage partners from a financial standpoint and it also encourages compensatory behaviors on the part of men that are not really conducive to stable relationships in general. At the same time, even though women still earn less than men, they have much better job prospects than in the past.

In the 1950s and 1960s, a young man could start out in almost any job, with the expectation that his earnings would improve substantially over time. From 1947 until the late 1970s, every generation of young men earned, on average, three times as much, in constant dollars, as their fathers had at the same age. Even if the job was dangerous or demeaning, confidence in future progress imbued a guy with the sense that deferring gratification, making compromises, and sticking it out would eventually pay off. A young woman could marry almost any man and expect him to support a family far better than she ever could, and better than her father had been able to support her mother. Even if her husband's behavior was less than ideal, her lack of alternatives to marriage and lower expectations of equality made her more likely to "stick it out" as well.

Today, despite its benefits for pooling resources and gaining support networks, marriage is much riskier than in the past, especially for a woman, because she has to balance the risks and benefits of investing

in the relationship against the new possibilities of investing in her own earning power. Yes, if he keeps his job and shares his wages and lives up to her heightened expectations of fairness, marriage is a good deal. But if her husband loses his job, or misuses the couple's resources, she might have to use her low wages to support them both, and she could well end up worse off than if she had stayed single and focused on her own earning power. Like middle-class Americans, low-income couples also now have higher standards about what marriage ought to entail. Which leaves less-educated and low-income individuals facing a cruel irony: just as more effort, skill, and engagement is demanded of them as partners and parents than in the past, more of them are losing the social-support systems and daily predictability of income and job prospects that foster the skill to negotiate, the resilience to cope with relationship demands when life is stressful, and the incentives to refrain from behaviors that offer short-term escape from stress but undermine long-term relationship success.

Here's a good example of the irony. A new study shows that the lowest income sections of the population are the only places where married people are consistently better off psychologically than never-married ones.⁹ But the very things that make a solid marriage so beneficial in low-income communities are the things that make it such a rare commodity. If you live in communities where jobs are scarce, where there is widespread deprivation, where you can't trust the police or some of your neighbors, where you've got very low levels of social capital and private or public investment — gosh, having a supportive spouse is a fabulous thing there. But finding a supportive spouse is a lot harder. And when you do, because you have to rely so much on your spouse — more often and more intensely than middle-income couples, who have wider networks and the resources to purchase alternative or additional types of support or relief from stress — you end up with two people who are each making huge and constant demands on the other for support. This tends to set

9 Daniel L. Carlson and Ben Lennox Kail, "Socioeconomic variation in the association of marriage with depressive symptoms," *Social Science Research*, forthcoming.

people up for disappointment and instability.

At higher income levels, both partners need less financial and personal support from marriage. They have friendship networks, professional networks, and enough financial resources to take a yoga class or get some household help or whatever. So this takes a lot of pressure off the marriage.

Now, the one place where these middle-class and upper-class advantages are less decisive is later in the lifespan of the marriage. Although marriages in the prime of life are lasting longer for educated and middle-to-upper-income people, the divorce rate for couples in their fifties and sixties has risen immensely since 1990 and there's not as great a class or educational difference in who gets divorced at that age. So we may be seeing a situation where, among the middle class, you can keep a marriage together while you're in a partnership raising the kids. But if for some reason you are not able to sustain the adult intimacy and passion and growth that we now expect of marriage, and you're still looking forward to another twenty healthy years of life, staying together until death do us part begins to feel a lot harder than it used to.

Doesn't this raise the question of why so many working-class women chose to vote for Trump, someone who seems pretty hostile to the system of social insurance that they would need? Is it related to the very divergent realities faced by women in different classes?

A lot of different elements go into Trump's appeal to working-class women and men — and remember he also won middle-class, college-educated white women too. Certainly racism is involved, but it's also true that racial stereotypes and biases tend to become more salient when people are feeling economically stressed. And what I am most interested in is that section of working-class men and women who, whatever their racial prejudices, are not entirely driven by them. A very significant section of the white working class voted for Obama twice. Every logging county in my state of

Washington did so. But as I've written elsewhere, when they didn't get hope and change, they were ready to try rage and blame.¹⁰

Despite the fact that many of Trump's female voters disapproved of his behavior, they didn't see Clinton as offering to stand up for those sections of America that had been losing ground for forty years and felt not just neglected but disrespected. I remember running across a quote from a woman who voted for Trump saying "Yes, he's a bully, but he's the kind of bully you want to beat up on the bullies who beat up on you." And to the extent that liberals did not acknowledge how much beating up had been going on, they opened themselves up to people deciding that it was time to overturn the apple cart. And a bull in a china shop can do that very well.

The fact is, we face some very difficult problems around the world, many of them posing painful dilemmas. But to the extent that we are going to make any progress at all, we have to reach out as best we can to a whole range of people that have been demonized or denigrated by the proponents of modernization and globalization and also by many sincere liberals and leftists.

I mean, when I would listen to Clinton's remarks or her speeches about inclusion and diversity during the campaign, I would always think, "Can we add a truck driver to that? Can we add a meat-packer to that?" And then when you get this "basket of deplorables" notion that these people are irredeemable, that's kind of self-defeating. We need to be able to figure out what the legitimate anxieties are that underlie some of the misplaced fury we see in America and speak to those anxieties without pandering to them. But also without demanding that people immediately and publicly repudiate every wrong notion or prejudice they might have.

Too many professionals fail to grasp how a small-town, working-class or rural community functions. Our education and training has endowed us with professional networks and technological tools that allow us considerable

10 Stephanie Coontz, "Taking the Nostalgia of Trump Supporters Seriously," Berggruen Institute, *Insights*, no. 4, <http://insights.berggruen.org/issues/issue-4>, accessed February 18, 2018.

geographic and occupational mobility. But the very same processes that have made professionals' lives easier and more flexible have marginalized individuals whose identity, security, and livelihood depend on their detailed knowledge of a particular place and set of skills, and their *placement* in a set of long-standing personal networks that are often hierarchical but involve relations of mutual dependence that are difficult to disentangle.¹¹

My dad worked his way up from labor organizer to professor and moved my mom and kids with him through many educational institutions and jobs. But every summer I came home to my grandparents in the town of Tumwater, where my ancestors had been some of the earliest white pioneers. It was then a very small town where everybody knew each other. "That's Mac's granddaughter," people would say when I went into a store, and you had to stop and talk. As my Hawaiian friends say, "talk story." In places like this, a guy gets a job because his relative puts in a good word with the supervisor, and the little grocery-store owner gets a bank loan because the banker shops there. Or you're a farm mechanic who repairs your neighbor's equipment, or a shopkeeper who depends on personal connections for your customers. Many industrial working communities as well as rural towns and small towns are based upon the exact opposite of professional mobility, interchangeability, and efficiency. They rely on long-standing ties of familiarity and reciprocity. When you depend on a neighbor, you need to know their character, and you are not quick to trust a stranger. But when you do know that someone belongs, you'll help out in ways and to a degree that you just don't see in busy professional neighborhoods.

Yet among professional elites, I see such disrespect for those communities and the people who work there. After my husband retired from the airline industry, he started raising organic grass-fed beef on the piece of land we inherited from my grandfather. When it's time to "harvest" a cow, we have a mobile slaughterer come out, because the worst part for animals is the fear that comes from being transported. So three guys come

11 Stephanie Coontz, "The shell-shocked white working class," CNN Opinion, September 23, 2016, <http://www.cnn.com/2016/09/23/opinions/shell-shocked-white-working-class-opinion-coontz/index.html>, accessed February 18, 2018.

out with a bunch of equipment that costs a lot of money to invest in and one of them puts a perfectly placed shot — which is hard to do sometimes when you have a jumpy animal — that downs the animal in a second. Then they take the skin off all in one piece so it can be used, and cut off the head and the hooves. They hoist the animal up and cut it in half. We like to get the organ meats, so they cut those out for us and then they take the rest of it to the butcher to finish. And you know what they charge for a cow? This is a 1,300 pound cow they're dealing with, right? They charge \$75. That's the going rate for this kind of skill and knowledge and familiarity and willingness to drive all the way out to our place and then over to the butcher. And it just stuns me that we live in a world that will pay \$75 to these guys but drop \$500 for a consultant to put his feet on the desk and pontificate for half an hour. Respect for the dignity of this kind of labor has been completely lost in America and if you think people like that are going to accept the opinion of someone who doesn't respect them but can hardly change their own tires, well, you'd better think again. You have to respect the work that people do, the humanity they have, and then figure out where they are coming from and how you can relate to them before you have any hope of moving them. And even if you can't move them as far as you like, if you can move them a little, that's important. It's helpful. Even if it just means one more person who will recognize *your* humanity. ✎

The European Union is a state-under-construction serving the dominant fractions of European capital. A different Europe will require completely different institutions. But the debate cannot be isolated from the economic and political system. Saving the planet and genuine democracy require system change. A return to national states or currencies will not allow for escape from the logic of capitalism. Such a goal requires a countervailing power to capital. Transnational class struggles foster hope. The challenge is to deepen, broaden, and unite these movements.

BUILDING A DIFFERENT EUROPE

MARC BOTENGA

The 2015 failure by the Greek government to negotiate its way out of austerity gave new impulse to strategic debates on the Left. Much of the debate came to revolve around two poles. Wage the battle primarily at the European level, democratizing the Union, or have a left-wing government break free by exiting the eurozone or EU. Oftentimes, unfortunately, both approaches limit the Left's strategic horizon to a better management of capitalism. More significantly, the underlying theories of change largely forego central questions of government and power. In the face of a European state under construction, a strong movement is needed, not to reform the Union, but to start over on different bases.

COMMON CURRENCY, INCREASING DIVERGENCE

Mid-2017, a slight aura of optimism made its reappearance in the rhetoric of the European establishment. Some growth finally returned. The European Central Bank, although still weary of low inflation, scaled back bond purchases from 80 billion euros to 60 billion euros. In the meantime, structural

debates on how to reform the eurozone and the European Union continued. The 2008 financial crisis had shown that differences within and amongst member states could put the very existence of the eurozone at stake.

The eurozone was always far from an optimal currency area. In some peripheral countries, GDP per capita was hardly half of the European average. Competitiveness varies widely by most standards. Even before the crisis, in 2007 added value per working hour stood at 4,320 euros in the fifteen Western member states, but at only 1,463 in Slovakia. While Germany, France, and Belgium all have average hourly wage costs of over 30 euros, Slovakia or Latvia still do not make it to 10 euros. A 2015 Economic Bulletin of the European Central Bank claimed some convergence in the Union as a whole, but admitted that real convergence between the countries adopting the euro in 1999 and 2001 was nowhere to be seen.¹ Worse, the analysis even found “some evidence of divergence among the early adopters of the euro,” a trend confirmed in the 2017 Commission Reflection Paper on the Deepening of the Economic and Monetary Union.²

The theory of a common market with a common currency miraculously creating convergence lies in tatters. On the contrary, bringing very different economies and countries together in one currency zone took important policy instruments away from weaker peripheral economies. Currency devaluation and exchange-rate variation are but the most obvious examples. Convergence criteria sanctified price stability and utterly unfounded public-deficit and debt-reduction targets. This straitjacket of Maastricht mostly benefited Germany at the expense of weaker economies. The single currency deepened the gap between Germany’s increasing surpluses and trade and current account deficits in the periphery, two sides of a same coin. Equal rules for different economies reinforced unequal development.

1 European Central Bank, “Real convergence in the euro area: evidence, theory and policy implications,” ECB Economic Bulletin 5, (2015), https://www.ecb.europa.eu/pub/pdf/other/eb201505_article01.en.pdf.

2 European Commission, *Reflection Paper on the Deepening of the Economic and Monetary Union*, May 31, 2017, https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-emu_en.pdf.

One size fits none, Claus Offe summarized.³ Germany simultaneously benefited from its leading position in both the machineries and chemicals global markets. Berlin took full advantage of increasing demand in emerging economies. Domestic labor market and security reforms in turn permitted German multinational corporations to reduce the gap in profit margins with their Japanese and American counterparts. These matter greatly not just to finance future investments, but also to push up company share value.

Southern countries, handicapped by the euro, suffered additionally when Eastern European countries joined the common market.⁴ The latter had lower wages and weaker social security systems, pushing Greek companies to cross the border and enter, for example, Bulgaria. The automobile industry offers a particularly visual illustration of this.⁵ After the fall of the Berlin Wall, Western car manufacturers like the German Volkswagen or the French Renault moved east. In the south, Italy, Spain, and Portugal, until then benefiting from those investments, paid the price. In 2011, production in Hungary, the Czech Republic, Romania, Slovenia, Slovakia, and Poland surpassed that of the Southern countries, hit by a post-2000 stagnation. Since then, at the expense of a more northern country, Spain succeeded in attracting two of Belgium's five car-assembly plants. This evolution, contributing to the degradation of the financial situation in Southern countries, is illustrative of the kind of dynamics that fueled the 2010 Eurocrisis. Southern countries lost productive capacity, often to countries more towards the east of the continent. Capital flows went into housing bubbles, like in Spain, or into deficit financing, like in Greece, with important consequences for public debt. As soon as the tide turned, capital flowed elsewhere and the Spanish economy collapsed. The shift of production towards the east should not be romanticized.⁶ The inflow of

3 C. Offe, *Europe Entrapped*, (Cambridge: Polity Press, 2015).

4 H. Houben, *La crise de trente ans*, (Brussels : Editions Aden, 2008).

5 H. Houben, "La désindustrialisation en Europe occidentale : le cas de l'automobile," *Outre-Terre* 46/1, (2016) : 199-230, <https://www.cairn.info/revue-outre-terre-2016-1-page-199.htm>.

6 P. Rimbart, "Le Saint Empire économique allemand," *Le Monde diplomatique*, (Février 2018) : 13.

foreign investment, with Germany playing a dominant role well before the arrival of the euro, turned them into foreign-owned countries, with negative net foreign assets.⁷

Growing internal imbalances are not the only problem European integration faces. Joseph Stiglitz's *The Euro* points out how the euro might not have caused the economic downturn and crisis, but did worsen its overall impact, and delay European recovery. In the years following the 2008 crisis, real GDP per capita growth was remarkably slower in eurozone countries compared to other EU member states. The European Central Bank's unilateral focus on inflation and price stability compares unfavorably to the objectives of the US Federal Reserve, which include growth, full employment, and financial stability. Public deficit, debt reduction fetishes, and wage moderation did not only sink domestic demand, but also hampered productivity, which increased only 0.6 percent between 2007 and 2015. In crisis countries, like Greece, increases in unemployment overwhelmed any potential productivity increase. Remarkably, even Germany saw a decline in productivity per employed worker. For all the sacrifices demanded from workers, orthodox economics can show remarkably few results, even on its own terms.

It is worth remembering nevertheless that the functioning of the common currency zone is not the only culprit. The 2008 crisis was neither an exclusively European, nor purely financial, matter. Competition amongst member states is nothing new. Problems related to the free flow of capital existed amongst EU member states before the common currency. Neither can German dominance be explained only by the euro. In what now appears a cruel irony of history, France proposed the common currency to cap German economic dominance and avoid having to follow the dictates of the German Bundesbank. The euro and the structure of the monetary union greatly facilitated the increase in inequality between and within countries, but did not cause it. Wealth concentration at the top is most

7 F. Novokmet, T. Piketty & G. Zucman, "From Soviets to Oligarchs: Inequality and Property in Russia 1905-2016," National Bureau of Economic Research Working Paper 23712, (August 2017), <http://www.nber.org/papers/w23712>.

pronounced in Austria, the Netherlands, and Germany, but the non-euro United Kingdom hardly does any better.

European institutions dealt with the Eurocrisis through a reinforcement of what has been called European economic governance. This governance, made up of authoritarian structural reform and fiscal austerity, did not improve matters; it worsened them. Austerity policies as well as decreasing workers' rights strongly aggravated the social crisis by sinking domestic consumption in a number of states. Rescue plans mostly rescued big banks bringing humanitarian crisis to countries-in-need. Unsurprisingly, the working classes of the continent bore the brunt of the consequences. In the absence of currency devaluation or exchange-rate variations, wage compression for internal devaluation was meant to increase competitiveness.⁸ Over a decade of harsh austerity and two decades of labor market liberalization left behind a disastrous social situation. Brussels, capital of the EU, is somewhat of a symbol. One in three city inhabitants is at risk of poverty. One child in four grows up in a family where no one has a job. Even temporarily forgetting about Greece, Brussels is no exception. Over the last decade, the number of working poor has doubled in Germany. In Italy, over 8 million people live in relative poverty. In France, 9 million people, of which 3 million are children, are poor. Portugal lost half a million workers between 2011 and 2014. While Portuguese workers were fleeing their country, big corporations saw their money reserves increase from 750 billion euros to 3,200 billion. The rich and wealthy meanwhile are seated on mountains of money, or rather, hiding them in tax havens across the world.

FROM ECONOMIC TO POLITICAL CRISIS

Even with slightly improving economic statistics, it is simply false to claim that the crisis is now under control. Let us first and foremost not overestimate the importance of the current formal recovery. Every economy

8 C. Lapavitsas et.al., *Crisis in the Eurozone*, (London: Verso, 2012).

eventually returns to some growth at some point. Moreover, certain factors that are likely to have contributed to the slight recovery might also indicate its transitory character. Think for one of low interest rates, quantitative easing, and the choice to orient the European economy towards extra-European exports inevitably combined with a desperate search for competitiveness.

Additionally, the structural limits of European integration and the economic crisis have translated into a political crisis both between member states and within member states. Within member states, two currents rose out of the gap between the establishment and the majority of the people. On the one hand, a current of fear: the rise of neoconservatives and xenophobic nationalism. Authoritarian austerity and intolerance have proven two sides of the same coin. By refusing to take on the privileges of the wealthy, austerity pushes people to blame those who have it tougher than they do. Without money for social housing, those at the bottom are told to fight each other over it. With no investment in education, people will compete for the few available places. Predictably, economic inequalities within and between countries increased tensions, facilitating the rise of national-conservative or far-right parties. In France, the far-right Front National made it through to the second round of the presidential election. Italy, Austria and the Czech Republic offer no better picture. The exit campaign in Great Britain was not exactly won on a left-wing platform, to say the least. In newer member states, and especially those harshly defined as “foreign-owned,” right-wing conservatives benefit from the discrediting of the Left.⁹

Economic divergence, increasing competition, and insistence on ordo-liberalism and blind austerity have created increasing frictions between member states. This type of integration ends up undermining cohesion amongst the people of Europe. Increasing divergences between member states fuel the potential for racism just as much. The German tabloid Bild’s

9 L. Bershidsky, “How Western Capital Colonized Eastern Europe,” *Bloomberg View*, September, 12, 2017, <https://www.bloomberg.com/view/articles/2017-09-12/how-western-capital-colonized-eastern-europe>.

characterization of lazy Greeks taking advantage of hard-working Germans constitutes a case in point. Representations in Southern Europe of Angela Merkel as Adolf Hitler offer further evidence. Exploitation of Romanian truck drivers in the Netherlands or Polish construction workers in Belgium could fuel similar xenophobic campaigns. This does not necessarily lead to much solidarity amongst Southern countries. The social-democratic governments of France and Italy, for example, largely supported German austerity dictates on Greece, while later negotiating some fiscal flexibility for themselves. Tensions, due both to the opportunism of the German government, attempting to absorb the best-educated refugees, and the conservatism of Hungarian and Polish right-wing governments, pit East against West on a European distribution plan for migrants and refugees.

But the far-right narrative of fear was not the only one to advance. A second current, refusing the neoliberal TINA narrative, also made headway. This is a current of hope. A decade ago, the Jeremy Corbyn phenomenon, challenging the Third Way Labour apparatus, would have been unthinkable in the United Kingdom. In 2007, the Coalition of the Radical Left (Syriza) obtained a mere 5 percent of the Greek vote. In early 2015, Syriza claimed 149 out of 300 seats in the Hellenic parliament. Spain's decade-old two-party system collapsed under the weight of left-wing Podemos. In France, the French radical presidential candidate Jean-Luc Mélenchon obtained a record number of votes in 2017, winning some votes back from the far right, even as hardly over 43 percent of the French electorate went out to vote for the decisive round of their parliamentary elections. Hope underlies the success of Podemos in Spain, Jean-Luc Mélenchon in France, Jeremy Corbyn in Britain, or at the time, Syriza in Greece.

FORWARD! BUT TO WHERE?

Up to now, from the Stability and Growth Pact in 1997, over Six and Two packs, to the 2012 Fiscal Compact Treaty, the European establishment used crises to reinforce the state apparatus it has been constructing. A 2015 report by the five presidents of the EU laid out paths for further authoritarian

economic integration. Nevertheless, centrifugal tendencies can no longer be easily dismissed. In front of the deepening political crisis, more than just the traditional single scenario of greater federalism was needed. Amongst member states, those in favor of “an ever-closer union” in order to complete the internal market are no longer the only voices.

All the same, the leading forces in core countries — think Germany, France, or the Benelux countries — still want to reinforce the European federal institutions and power. They will push for reinforcement wherever possible insofar as it suits their interests. French president Emmanuel Macron harbors an idea for a grand bargain, which might reveal the basis of such a push forward. From a social and economic perspective, no fundamental change is on the agenda. Token changes such as new directives related to social dumping or a pillar of social rights are unlikely to be more than public relations successes. The September 2016 Bratislava agenda showed migration and defense to be potential areas on which even conservative governments in the East will agree. On migration a range of projects, from smart borders to a European Border and Coast Guard Agency are underway or operational. Since the referendum on Brexit, European defense cooperation also got a new impulse. On more controversial topics, a potential deal between core European countries might lead to a middle-of-the-road option, with a few countries integrating more quickly, as has already been the case, and the rest left to follow immediately or eventually.

Mainstream Eurocriticism, on the other hand, offers two ways forward, adequately summarized by Joseph Stiglitz: “The halfway house in which Europe finds itself is unsustainable: there either has to be ‘more Europe’ or ‘less’; there has to be either more economic and political integration or a dissolution of the eurozone in its current form.”¹⁰ The former might include some measures to make the incomplete and suboptimal eurozone governance look more like the US dollar zone. Thomas Piketty as well insisted on mechanisms for a more democratic Union or economic governance.

10 J. Stiglitz, *The Euro: How a Common Currency Threatens the Future of Europe*, (W. W. Norton & Company, 2016).

Yanis Varoufakis and James Galbraith summarized it rather bluntly: “the euro must either adapt or cease to exist.”¹¹ The second option, total or partial dissolution would mean a (temporary?) return to national states taking back control over their own monetary policy and implementing Keynesian policies.

To the radical left, accepting this framing comes with an important pitfall. Focusing on the numerous flaws of the euro and the EU comes with a risk of isolating the debate from the nature of the economic and political system. Capitalism, not the euro nor the EU, is what connects the profound economic, ecological, democratic, and cultural crises today. Let us take but one, underexposed but central, example. Hurricane Harvey was neither a European nor solely “natural” disaster. Daily news reports on the methane bomb under Siberian permafrost, the collapse of global ocean circulation, and receding ice caps go hand in hand with sinking cities, increasing water shortages, reports of mass extinctions, and changing seasons. Analyses such as Naomi Klein’s *This Changes Everything* or David Wallace-Wells’s “The Uninhabitable Earth,” make movie scripts such as “The Day After Tomorrow” or “Elysium” appear less than wholly implausible. Klein has been more precise than many others. Not humankind, but capitalism is rapidly destroying the only known ecosystem permitting human existence. James Galbraith was right to write: “Either the problem of climate change will be planned out, by a public authority acting with public power, or it will be planned away, by private corporations whose priorities lie in selling oil, coal and gas-burning cars,” ending the developed world as we know it.¹² Market forces should not be allowed to deal with the climate. As much as climate change, rising inequality also answers that one key question: can capitalism offer a decent, or indeed any, future to humankind and the planet? Socialism may still be an ambitious target, but it becomes ever more the indispensable one.

11 Y. Varoufakis & J.K. Galbraith, “Why Europe Needs a New Deal, Not Breakup,” the *Nation*, October 23, 2017, <https://www.thenation.com/article/why-europe-needs-a-new-deal-not-breakup/>.

12 J. Galbraith, *The Predator State: How Conservatives Abandoned the Free Market and Why Liberals Should Too*, (New York: Free Press, 2008): 175.

The necessity of socialism brings consequences for political strategy in Europe, and more specifically for the attitude towards the European integration process. A socialist perspective can clearly not imply refusing all intermediate demands short of “instant socialism.” What kind of demands are most likely to raise awareness and reinforce the position of labor in front of European capital? Does internationalism require an acceptance of the current integration process? Should an exit from the EU and the eurozone be at the heart of this campaign in order to start over again?

AN EXIT AS A WAY FORWARD?

The picture of European integration so far is not a pretty one. Therefore, an exit campaign seduces some on the radical left. The development of the Greek crisis in early 2015 played no small part in this. Many pointed out that the Greek government lacked a Plan B during the 2015 standoff between the Greek government and its creditors. In essence, the Greek government, representing only about 2 percent of eurozone GDP, lacked leverage inside the Eurogroup. Advocates of an exit strategy argue such a strategy would have provided that necessary leverage to Greece. This is not the place to go into the strength of such a threat at the table of negotiations. Hard-line German finance minister Wolfgang Schäuble seems to have favored such an exit himself. On the other hand, perhaps Angela Merkel would have minded the damage to the Union’s image. The question of concern here is a different one. To what extent does such an exit campaign offer an alternative pathway for the Left?

Cédric Durand summarizes the feeling of advocates of a left-exit well: “The political choice we need to make is the following: either accept, like in Greece, a defeat in the name of the illusion of changing Europe, or prepare ourselves to start the change in the most advanced country. To prove that alternatives exist, an exit from the currency or its dissolution is necessary. Social justice, ecological transition and real democracy are possible. But only out of the euro prison.” Durand and Stiglitz are not the only ones setting out concrete alternatives. Wolfgang Streeck advocates a European

Bretton Woods.¹³ Frédéric Lordon proposed to dissolve to euro to create a common currency without Germany.¹⁴ Costas Lapavitsas set out a plan for a debtor-led default combined with a *progressive exit* from the euro.¹⁵

Six considerations seem to play a central role in the seductive force of a left-exit. (1) Left-wing policies are incompatible with the European treaties. (2) National states, preferably guided by left governments, can be allies or offer a bulwark against neoliberalism. (3) A demos exists only at the national level. Therefore, the national level is the most appropriate space to wage the struggle. (4) Power relations are more favorable in certain member states than in others. Nationally, we can show alternatives exist. (5) The EU is pitting people against each other, and an exit will allow for a different, real internationalism. A step back to leap forward. (6) A European continent-wide movement is unlikely to emerge anytime soon.

Let us start with the first. The incompatibility is real, no question about it. Attempting to implement a left-wing program will inevitably put you on a collision course with the European treaties and their dogmas, with a risk of either Greek-style blackmail, or suspension and termination of the country's EU membership. Preparing for this eventuality when readying for governing makes perfect sense. Since the Greek prime minister gave in to the country's creditors, post-exit economic coping strategies often formed the core of the discussions.¹⁶ These are likely to include capital and banking controls as well as nationalizations, first of all of financial institutions. The former might be implemented immediately after the

13 M. Davidson, "Wolfgang Streeck: The euro, a political error," Verso, July 29, 2015, <https://www.versobooks.com/blogs/2146-wolfgang-streeck-the-euro-a-political-error>.

14 F. Lordon, "Pour une monnaie commune sans l'Allemagne (ou avec, mais pas à la francfortoise)," *Le Monde diplomatique*, May 25, 2013, <https://blog.mondediplo.net/2013-05-25-Pour-une-monnaie-commune-sans-l-Allemagne-ou-avec>.

15 C. Lapavitsas et al., *Crisis in the Eurozone*, (London: Verso, 2012): 223.

16 See for example recently C. Lapavitsas & T. Mariolis, "Eurozone failure, German policies, and a new path for Greece," *Rosa Luxemburg Stiftung*, March 2017, <https://www.rosalux.de/en/publication/id/14546/eurozone-failure-german-policies-and-a-new-path-for-greece/> or C. Durand & S. Villemot, "Balance Sheets after the EMU: an Assessment of the Redenomination Risk," Working Paper, October 10, 2016, <https://www.ofce.sciences-po.fr/pdf/dtravail/WP2016-31.pdf>.

election. Nationalizing also makes sense for steel plants, for example. That coping strategies have taken center stage in the debate is not illogical. It has everything to do with the genesis of a debate emerging from a simple question. What should the Greek Tsipras government have done differently? As important as coping strategies are, what they are not is a silver bullet, be it only because they are likely to come late. Car-assembly plants or a plant like the one Caterpillar decided to close in Charleroi (Belgium), one link in a Caterpillar production chain, would be difficult to put to immediate use outside of the chain. Capital flight in turn is likely to start as soon as a left-wing electoral victory becomes probable. Preparation for such an exit scenario therefore would have to start many years before even considering government participation, but its implementation is likely to come at least slightly late.

To be credible and operable, this scenario cannot be based on a mere technical discussion on economic policies. Preparing a credible exit scenario would first and foremost have to relate to power relations. For all their faults, the European treaties wield little power per se. No more so than the US constitution impedes a socialist state of Vermont, does the letter of the Eurotreaties block left-wing policies. Rather, not unlike the US constitution, the European treaties express and reinforce existing power relations between European capital and labor. Once these change, either the treaties will change or they will be ignored.

This is no footnote. Strategies focused mostly on what a left-wing government should do seem to downplay or postpone this step. Schematizing an argument never does it justice, but oftentimes advocates of an exit strategy de facto present a three-step strategy. First, a radical left-wing party gets elected into government. Unless its change of policy is accepted by its European partners (Plan A), the country would subsequently exit the eurozone (Plan B). After having dealt with the inevitable turmoil following such an exit, the radical government would then implement mostly Keynesian policies, appealing to the people for support. Such policies are subsequently supposed to strengthen labor over capital and provide a

feasible socialist perspective for the continent, Costas Lapavistas argued.¹⁷

The first part of this scenario aptly taps into widespread hopes of parliamentary change. In this sense, it can appear an attractive roadmap to many. A confrontation with European capital, however, will require winning power, not just government, mobilizing, and most importantly, organizing the population into a considerable counterforce.¹⁸ Elections give the right to rule, but not the power to rule, as Marx concluded from the Paris Commune. Many proponents of an exit are happy to acknowledge this. What their argument neglects is that the construction of such a counterforce cannot wait for — or be subsequent to — the emergence of a radical left-wing government. By focusing on electoral victory, and in spite of their criticism of Syriza's choices, they stand by one of the Greek party's main strategic choices: pragmatism defined as aiming for government even at the expense of the reinforcement of the party and the organization of a popular counterforce. The radical left's experiences with European governments illustrate how a left-wing government acceding to power without the backing of such a counterforce appears doomed to fail. Post-electoral calls for popular support and mobilization will come far too late in the day unless a sufficient organizational counterforce has been built before. We shall return to at what level and on what themes is such a counterforce most likely to emerge. Suffice it to say here that not integrating the limits of mere electoral or parliamentary action in a party strategy from the outset reinforces illusions of change coming merely through a ballot cast, while failing to give center stage to the prior organization of a social movement as a counterforce.

BULWARKS OF SOCIAL JUSTICE?

The question of power relations brings us to the second argument for an exit. Nation-states might offer, it is argued, bulwarks against European

17 C. Lapavistas, "For a Class-Based Strategy of the Left in Europe," *Catalyst* 3, (2017).

18 F. Wilde, "Winning Power, Not Just Government," *Jacobin*, April 18, 2017, <https://www.jacobinmag.com/2017/04/left-parties-government-elections-socialist-politics/>.

big business or Europeanized and global capital. Defensive struggles for safeguarding social rights are indeed mostly, albeit no longer always, fought nationally. This, nevertheless, says little to nothing about the national state. Nation-states and their ruling classes did not generously offer social rights. On the contrary, they did what they could to stop and limit them. Any such rights were gained through class struggle. They were inevitable concessions, nothing more. Once the balance of forces changed, so did policies. The British state offered no protection from Margaret Thatcher's liberalization frenzy. European integration is a tool for the interests of capital, but it was precisely the governments of these nation-states that constructed the current Union, at the behest of big business. From the Community of Coal and Steel to the economic governance mechanisms of the Lisbon Treaty, it was always national governments of social democrats and right-wing conservatives shepherding European integration, at the behest of capital. Even today, decisions are in fine adopted by the Council, the EU's intergovernmental body. European nation-states are no strongholds of protection against big business. On the contrary, they consistently further and protect the interests of big business.

The exit argument connects here with a myth of "taking back power" at a national level. No matter how useful such a slogan can be to raise awareness, organize, and mobilize people, by speaking of taking back power at a national level, it begs an important question. When exactly did the people have the power in, say, Western European countries? How long in time should we go back? In this way, exit campaigns end up promoting a classless abstraction of the nation-state. Quantitatively, capital might enjoy greater dominance, but in terms of fundamental class character, there is no qualitative difference between the emerging European supranational state and individual member states. As long as international capital and transnational corporations set the policy agenda, an independent Belgium, Germany, or Italy will be no more truly social or truly democratic than the European Union.

But what about a left-wing government? Could it turn the national state into an inspiring paradise of social progress? Without a break with

capitalism (and in the unlikely absence of sanctions, to which we will return later), a newly “independent” country and its left-wing government would still need to compete with the huge capitalist economic bloc just next door — competition that is likely to “require” sacrifices and indeed harsher austerity if its national companies are to stand a chance. In other words, exit does not allow it to escape global capitalism or cutthroat competition. Under capitalism, Varoufakis and Galbraith are right that “the smaller countries of Europe will be just as vulnerable to speculative movements of their currencies, the caprices of international investors, and the vagaries of their local oligarchies as they were before.”¹⁹ Considering the dominant role of large countries in setting the regulatory environment for trade and the power of multinational enterprises playing one country against the other, LSE economist Paul De Grauwe put forward a relevant paradox in this regard: “when the UK exits from the EU so as to gain more sovereignty (‘to take back control’), this gain is only achieved in a formal sense. In fact, its real sovereignty declines. Obviously, the same holds for Catalonia.”²⁰ It is impossible to share De Grauwe’s subsequent passionate defense of more transfers of sovereignty, but the paradox about actors pursuing more formal sovereignty, but actually achieving the opposite is more than just thought provoking.

Secondly, even this would require winning power, not just government. A left-wing government would not even be able to rely on its own state administration and senior civil servants. There is no need to go back to deep-state theories, Gladio networks, or the likes of the Italian Propaganda Due lodge, to illustrate this. The Syriza government of Greece could not fully trust its own civil servants, who frequently leaked documents to German negotiators. Several European partners actively aimed at a change of government in Greece. Where would the Greek military police have stood

19 Y. Varoufakis & J.K. Galbraith, “Why Europe Needs a New Deal, Not Breakup,” *The Nation*, October 23, 2017, <https://www.thenation.com/article/why-europe-needs-a-new-deal-not-breakup/>.

20 P. De Grauwe, “Catalonia and Brexit: the same nationalism,” October 4, 2017, <http://escoriallaan.blogspot.be/2017/10/catalonia-and-brexit-same-nationalism.html>.

in case of such turmoil?²¹ A British general recently openly warned UK Labour leader Jeremy Corbyn that an attempt to pull out of NATO or scrap the nuclear deterrent might trigger mass resignations in the army and “the very real prospect of an event which would effectively be a mutiny.”²² Not by chance, while revealing deep distrust of the European institutions, the May 2017 Eurobarometer (no. 87) showed citizens of European countries like Belgium, France, Greece, Italy, or Poland seemed to trust their own governments even less. This brings us to the demos argument.

DEMOS: WILL PEOPLE ONLY FIGHT NATIONALLY?

The dialectics between national and European level are at the heart of the demos argument. This is part of the strengths of the exit argument in any public debate. The widespread confusion between power and government merges with a feeling of national belonging in the notion of “taking back power.” Without adhering to essentialist or static interpretations of the demos concept, for many Europeans the central political sphere of reference appears indeed to be the nation-state, or a subcategory. People identify and see their political engagement and identity mostly (sub)nationally.

The division of the European labor movement compared to the relative unity of European capital contributed heavily to European integration taking its current form. In 1983, Ralph Miliband noted one exception to the general observation that the capitalist class very seldom enjoyed anything like full hegemony in economic, social, political, and cultural terms: “One major capitalist country where it has come nearest to such hegemony is the United States — the prime example in the capitalist world of a society where business has not had to share power with an entrenched aristocracy, and where it has also been able to avoid the emergence of a serious political challenge by organized labour. Everywhere else, business has had to reach

21 K. Ovenden, *Syriza*, (London: Pluto Press, 2015): 104-132.

22 C. Mortimer, “British Army ‘could stage mutiny under Corbyn’, says senior serving general,” the *Independent*, September, 20, 2015, <http://www.independent.co.uk/news/uk/politics/british-army-could-stage-mutiny-under-corbyn-says-senior-serving-general-10509742.html>.

an accommodation with previously established social forces, and meet the challenge of labour.”²³ The ongoing construction of the European state apparatus fits Miliband’s description rather well. Specific interests and preferences of member states’ bourgeoisies persist, but the result of European integration without European organized labor so far is a political and economic structure functioning as a weapon against labor and social rights, which in turn reinforces the global and domestic position of European capital.

All the same, this is but one side of the coin. For the next European elections, transnational lists were considered. According to the Eurobarometer published in August 2017, almost 70 percent of those polled also consider themselves as citizens of the EU. Today, few people will go out to the streets to defend this Union, which is positive. Simultaneously, the disastrous consequences of an exit entice the few, not the many. Any struggle for European change needs to consider this. Even more so since, far from formal summits, not only are continent-wide struggles and movements no longer science fiction, they are also indispensable. We shall return to this. Suffice it to say here that the European demos seems to be emerging, albeit carefully, through connected struggles.

EUROPE IS NO BATTLEFIELD FROM WHICH YOU CAN WITHDRAW

The fourth argument in favor of an exit campaign has an equally clear material basis. The balance of power between labor and capital is unquestionably more favorable in certain European countries than it is continent-wide. As, by the way, it is in certain “more left-wing” regions in “right-wing” countries. Hence, the argument goes, the easiest way to break with the treaties, or achieve a victory of labor over capital, is to bring the struggle to those member states. Choosing your battlefield, as much as your battles, can make for sound strategy. Even so, thinking you can circumvent power relations by withdrawing to one member state is a misconception.

23 R. Miliband, “State Power and Class Interests,” *New Left Review* 1/138, (March-April 1983): 61.

Imagine that a country would exit, under left-wing leadership, the EU or the eurozone. Formally, it would no longer be under the pressure of European economic governance. Still, other member states, at the behest of big business, would not be lacking tools to sanction and pressure the rebel country. The opponents of the exiting state would find a useful tool in the immediate economic impact of an exit. For, in the short term, there is no doubt, an exit would have dramatic consequences. Claus Offe and Yanis Varoufakis, to take but two examples, admitted the euro was a mistake, but consider a return to national currencies undesirable in view of the unbearably high costs. Joseph Stiglitz phrases it as follows: “Those in government at the time of a decision to leave the currency know there will be turmoil, and know that there is a large chance that in the aftermath they will be thrown out of office.”²⁴ Heiner Flassbeck and Costas Lapavistas prefer a slightly more euphemistic phrasing: “It cannot be overstressed that the path of confrontational exit requires political legitimacy and active popular support.”²⁵

Very often, the question of an exit is considered as if the exiting country were an island. By looking only at the potential economic consequences of an exit, without seriously considering the political reactions, the success of an exit is presented as if almost only dependent on domestic factors and policies. European economies are highly and ever more economically integrated. By value, about two-thirds of exported goods and services of any member state go to other member states.²⁶ In 2010, about 70 percent of the stock of direct foreign investment entering EU member states came from other European countries.²⁷ Most significant is the integration at the level of production and sales.

24 J. Stiglitz, *The Euro: How a Common Currency Threatens the Future of Europe*, (New York: W.W. Norton & Company, 2016).

25 H. Flassbeck & C. Lapavistas, *Against the Troika*, (London: Verso Books, 2015).

26 Eurostat 2015 as cited in J. Stiglitz, *The Euro: How a Common Currency Threatens the Future of Europe*, (New York: W.W. Norton & Company, 2016).

27 T. Auvray & C. Durand, “Un capitalisme européen? Retour sur le débat Mandel-Poulantzas,” in J-N Ducange & R. Keucheyan, *La Fin de l'état démocratique*, (Paris: Presses Universitaires de France, 2016) : 142-161, 159.

Neither the swift devaluation of the new currency nor banking and capital controls will impede shortages of anything from toilet paper to medicine, from food to fuel. Whatever benefits unilateral debt annulation may yield, they will not help much in the first few months after an exit. Perhaps this also explains why an exit seems to entice so few people. The gap between the advocates of a Grexit and the majority of the Greek population during the 2015 standoff with the Troika is well documented. A November 2016 poll by the European Institute of Lisbon University found that 90 percent of Portuguese citizens, after years of harsh austerity, still wanted to stay in the eurozone. Clearly, polls can be off, but rarely by 50 percent.

In 2015, the EU cut money supplies to Greece to make the country obey European austerity orders. Imagine the stakes being higher than they were at the time. Imagine the entire social and economic model being at stake. None of the capitalist governments around the new truly social and democratic state would tolerate such an alternative to emerge successfully amongst them. Is an embargo or immediately imposed autarky utterly improbable? Cutting off the money supply would be but the first, immediate measure, difficult albeit perhaps not impossible to preempt with an instant own currency. To take but an example, Belgium currently imports about 80 percent of its energy needs. Belgium taking control of its energy production would certainly provoke a reaction by multinational energy giants and their states. Taking control of production will probably not suffice, at least in the short run, considering the current state of industry in Greece or Spain. That under such circumstances a government needs the active support of its people is an understatement.

An electoral victory, giving the right to govern but not the power to do so, would in no way suffice. In most if not all countries, even a domestic victory of labor over capital, which seems far off in any state today, is especially in smaller countries unlikely to suffice in the light of a European boycott, sanctions, or intervention. International pressure, political and economic, would negatively influence domestic power relations within the exiting country. At the very least, a broad or broader European movement of solidarity with the exiting country is needed. Not only is government

participation to be prepared well in advance domestically — simultaneously, a European movement should be strived for and actively prepared. The relative degree of unity of European capital has indeed made it undesirable to limit the construction of such a counterpower to one single nation-state.

POLARIZE ON SOCIAL, NOT NATIONAL, CONTRADICTIONS

A fifth argument in favor of an exit strategy is precisely concerned with European movement building. The EU and the eurozone are making workers compete with and against each other. The policies and structures are deepening inequality and resentment against, say, Polish workers in the United Kingdom. Leaving the eurozone or the EU altogether would stop this mechanism and permit real solidarity to emerge, the argument goes. The former assertion is at least unilateral. Clearly, any market makes workers compete for jobs. Markets nevertheless equally bring workers together. The European internal market and the eurozone form no exception to this. In 2006, the support of German workers from Volkswagen Wolfsburg for their striking Belgian colleagues contributed to avoiding the total closure of the then Volkswagen, now Audi, plant in Brussels. When Ford decided in 2014 to close a factory in Belgium, workers from the Spanish town of Valencia traveled north to offer solidarity. Their discourse, admittedly vanguard, was class-based. A Spanish trade unionist explicitly refused the mainstream narrative that they had been lucky, as no jobs were lost in Spain: “No, we were not lucky, we are losing many colleagues.” The 2016 planned closure of a Caterpillar plant in Belgium and 2017 Carrefour severances brought French and Belgian workers together. German metalworkers’ strikes enthused colleagues throughout Europe. Perhaps port workers offer the best counterfactual. Since 2002, pan-European mobilizations of port workers pushed back plans by the European Commission to liberalize their working conditions and access to their profession. Two European directives were stopped, a third emptied of its initial content. Far from accepting the narrative of intra-port competition the Commission and port

authorities would like to impose, workers united around class interests. None of these experiences should be idealized, but any left-wing strategy should aim at deepening and broadening these still too limited examples of trans-European class solidarity.

This brings us to the second part of this argument that claims that fighting for and potentially achieving an exit would facilitate European solidarity. Independent national states would then easily build an area of peace, democratic cooperation, and solidarity. Even setting aside the class character of these newly “independent” states, this is counterintuitive. An exit strategy is most likely to lead to several national capitalist systems and markets. National markets and their states are less, not more, likely to create international solidarity than a unified market. There is also no remote indication or evidence that in case one country would exit and, in tremendous turmoil, choose more social policies, a spontaneous uprising could or would decisively change the balance of power throughout Europe before such an experiment would be squashed. Clearly, not even the partisans of an exit strategy believe as much. One of their claims is precisely that it is preferable to struggle at the national level because a European continent-wide movement is unlikely anytime soon. More to the point, considering the terrible economic impact of an exit, an exit is unlikely to convince people this is the way to go. Potential economic meltdown in the exiting state, even if just in the short run, might reinforce the feeling amongst people in remaining member states that there is no alternative to the EU — not unlike how the European establishment currently uses trouble in Britain to highlight what a mistake Brexit was, or, more distantly, the way right-wingers across Europe use economic difficulties in Venezuela to “illustrate” what mayhem radical left solutions would bring about.

By waging a national struggle to exit the Union, European-wide coordination is relegated, as are any social demands at a European level. An exit campaign might even worsen power relations by polarizing around national interests rather than social ones. Suffice it to look at the campaign in favor of Catalan independence. As recently as a few years ago, anti-austerity brought millions of Spanish citizens to the streets. During the Catalan

election campaign of 2015, even the right-wing conservatives had to utter social promises. Today, calls by the progressive mayor of Barcelona or left-wing forces to discuss austerity or corruption are largely inaudible, hidden behind respective flags of the Spanish state and Catalan independentists. In Belgium, exiled Catalan leader Carles Puigdemont now offers lectures on “How to break socialist hegemony?” The xenophobic and racist tones in the Brexit campaign already proved a case in point. Perhaps even more so than in Catalonia, the Left was inaudible and perceived national contradictions took center stage. The rise of Jeremy Corbyn, which began about a year before the Brexit referendum, happened despite, not thanks to, the Brexit campaign. If anything, the Brexit debate offered the establishment a few cheap shots at Corbyn and a welcome distraction from his social and economic program.

In a worst-case scenario, an exit could even pit workers against each other in the name of more solidarity to come. Arguing, for example, that German trade unions, or more generally, German workers, have definitely capitulated to German export and surplus strategies is not just wrong — as January 2018 strikes proved — but dangerous.²⁸ More than stimulating greater unity and solidarity amongst Europe’s working classes, such arguments offer grist to the mill of anti-German nationalism in peripheral countries. But an exit discourse needs not be this dramatic to be counterproductive. Would a Greek demand for German support for Grexit bring Greek and German workers closer? How would a campaign for Walloon independence from Belgium improve either class consciousness or the unity of the labor movement? What has the impact of Scottish or Catalan independence movements been on the position of labor in their countries? How likely would an IG Metall campaign against the right-wing federal state of Bavaria be to improve the overall position of German labor? Surely, it is much more likely to further fragment labor movements.

28 Compare F. Lordon, *La malfaçon. Monnaie européenne et souveraineté démocratique*, (Paris: Les liens qui libèrent, 2014).

THE FICTION OF A EUROPEAN MOVEMENT?

The impossibility of a European movement completes the six-pack of pro-exit arguments. It might well be its most central one. Admitting the possibility of a European movement against capital would deal an important blow to all of the other arguments. The fragmentation is real. Contrasted with the executive committees at the service of European capital, it appears as nothing short of breathtaking. The problem with this argument therefore lies not in the fact that it takes stock of this reality. It lies in its tendency to essentialize or naturalize a current state of affairs. Pro-exit arguments generally consider the fragmentation of labor and social organization and struggles at the European level with rather astonishing fatalism.

Fragmentation is real but by no means a fatality. European port workers, automobile workers, or milk protests illustrate as much. The strength of the international movement combined with national and local struggles almost stopped the signing of CETA and imposed an annex to the treaty. 2017 showed the potential is much higher. The potential authorization of Monsanto's glyphosate motivated over a million people across the continent. The Bonn climate summit pulled people from throughout Europe to the former capital of West Germany. A plurinational coalition of pilots and staff of low-cost airline Ryanair found ways of coordinating action between eighty-seven bases across Europe. Amazon was hit by simultaneous strikes in Germany and Italy. Riders from online food-delivery companies Deliveroo or Foodora, that have made social dumping into a business model, started looking for ways to effectively further their rights from London and Brussels to Milan, from Paris to Berlin.

This is not to deny the obvious. All too often, unfortunately, social movements on the continent remain isolated in their resistance, while their opponents speak with a single, European, neoliberal voice. This has to change, but increasingly parties, movements, and trade unions are already addressing radical, democratic demands to the EU on several issues, in order to improve the situation of workers in Europe. Europe has become

a battlefield. By limiting itself to a single watchword of exit, the radical left would leave the daily struggle on European issues in the hands of those who would have people believe that the EU can be reformed into a pro-people, social, democratic, and ecological state thus begging for bigger crumbs, rather than reaching for the bakery.

REFORMING THE STATE APPARATUS?

If an exit campaign cannot be considered desirable, surely then what remains must be a struggle for the reform of the existing apparatus? Traditional social democracy would gladly limit our horizon to this. Through reform, the EU might, it goes, become a tool for good, generalizing social rights on the continent and offering, globally, a counterweight to US domination. To what extent does the institutional genesis of the current EU warrant such a vision?

The current EU apparatus is obviously far from complete and rife with contradictions. The entire project might still fall apart. Nevertheless, Euro-enthusiasts, amongst whom are most of the French and German establishment, have taken giant strides towards the formation of a central state apparatus. The European Parliament, a federalist body elected directly, and the Council, its intergovernmental body, act as two quasi-legislative chambers, be it without the right of legislative initiative. The European Commission is an executive on steroids. A European central bank has taken over monetary policy. A common border patrol force is operational. Soon, perhaps, an embryonic European army will be set up.

More so perhaps than the Zollverein set off German state formation, the creation of an internal market constitutes the core of European state formation. In a sense, the European single market aligns with the historical development of capitalist markets. When the feudal system of localized production ended, old custom duties and barriers became obstacles to the new capitalist classes. The *Communist Manifesto* aptly summarized: “The bourgeoisie keeps more and more doing away with the scattered state of the population, of the means of production, and of property. It has

agglomerated population, centralized the means of production, and has concentrated property in a few hands. The necessary consequence of this was political centralization. Independent, or but loosely connected provinces, with separate interests, laws, governments, and systems of taxation, became lumped together into one nation, with one government, one code of laws, one national class-interest, one frontier, and one customs-tariff.”²⁹

The emerging or emerged nation-states centralized policies and politics, fixing their own custom duties, using a clever mix of free trade and protectionism in order to protect their own markets and defend their companies. The sequel is well known. Monopolies came to dominate entire branches of industry. Soon, being a national champion no longer sufficed. Mergers and acquisitions led to huge transnational corporations which now objected to the fragmentation of European small-scale national markets, creating fertile ground for a European single market. Clearly, other factors mattered. French industry hoped to keep the more competitive German steel industry under control, after failing to get hold of the Ruhr after World War II. None of this, of course, is to minimize the role of the United States and American capital in European construction, and contradictions to which it is linked.³⁰

National industrial interests remained present, taking alternate importance, while the European cocktail of competition and cooperation was blended. Even so, the need for increasing European cooperation as such became increasingly undisputed amongst the European business elite. The 1973 crisis restated the urgency of European integration creating bigger markets geographically and by branch. Neoliberalism served to extend the market logic to sectors that had until then been kept out of it. Employment in coal, textile, steel, glass, and shipbuilding industries was sacrificed to shareholders’ needs.

29 Karl Marx and Friedrich Engels, *Communist Manifesto*, 1848.

30 T. Auvray & C. Durand, “Un capitalisme européen? Retour sur le débat Mandel-Poulantzas” in J.-N. Ducange & R. Keucheyan, *La fin de l'état démocratique* (Paris: Presses universitaires de France, 2016): 142-161.

EUROPEAN CAPITAL SHAPES A TOOL

The role of European capital in the concrete design of European integration cannot be overstated. If German capital is predominant today, the current construction is by no means a mere German plot to take over Europe.³¹ Towards the end of the 1970s, with European integration seemingly stuck and desperate with the delay, the CEOs of seventeen European giants — the likes of Siemens, Thyssen, Philips, Fiat, and Volvo — gathered to reinvigorate European integration. Together they established a strategic business forum, the European Round Table of Industrialists (ERT).³² Much more than a mere lobbying group, the initiative aimed to determine the future of European integration, judged indispensable by European capital. With the benefit of hindsight, there is no way to overstate the impact of their 1985 project “Europe 1992” leading up to the founding Treaty of Maastricht in 1992. The ERT’s first meeting could count on the presence of both François-Xavier Ortoli and Étienne Davignon, representing the European Commission. Some years later Ortoli and Davignon came to chair the ERT’s Association for the Monetary Union of Europe, joining the ERT as executives from respectively Total and the Société générale de Belgique. Years later, Jacques Santer, then chair of the European Commission, spared no praise for this ERT lobby initiative: “Tonight, I really feel at home among friends. When I became President of the Commission in 1995, the Association was about the only body that supported us in our firm belief that the single currency would become a reality. So it feels like playing a home game.”³³ Indeed, to ERT members, a single market would not do. European transnational companies needed more. “Japan has one

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31 Although clearly German capital tries, and to a large extent succeeds, in setting the course.

32 B. Van Apeldoorn, “The European Round Table of Industrialists: Still a Unique Player?” in J. Greenwood, *The Effectiveness of EU Business Associations*, (Basingstoke: Palgrave, 2002): 194-206.

33 B. Balanyá, A. Doherty, O. Hoedeman, A. Ma’anit & E. Wesselius, *Europe Inc. Regional and Global Restructuring and the Rise of Corporate Power*, (London: Pluto Press, 2000): 49.

currency. The US has one currency. How can the Community live with twelve?” read the 1991 ERT report “Reshaping Europe?”³⁴ A common currency would facilitate convergence of prices, interest rates, budgets, and salaries of different European countries. Global competition for markets played no small part in the ERT’s Europhile orientation. European CEOs were looking for a powerful instrument to shape the world. “No European country on its own can decisively influence the shape of the world,” the 1991 report highlighted. In essence, European capital knew that without a bigger market, a single currency and, eventually, a European state apparatus, it would not be able to compete globally. This has been a powerful factor against centrifugal tendencies.

More clearly than even national states, the European state apparatus in the making is not neutral. Designed as a Union of competition, the European treaties are about the only constitution in the world defining a rather detailed economic policy of liberalizations and austerity. These are highly ideological texts. Targets in terms of public deficit complicate any Keynesian effort. Core institutions, like the European Commission and Parliament, are porous to all kinds of business lobbies, at all different levels of decision-making, but impervious to popular control. Transparency is absent. Only the unelected Commission can propose laws. Referenda results against austerity in Greece, against a constitutional treaty in France and the Netherlands, and against an association agreement with Ukraine, all found themselves flatly and openly ignored. Others like the Danes or the Irish had to vote twice, in order to get the “right” result. “There can be no democratic choice against the European treaties,” Commission chair Jean-Claude Juncker famously said. *Adults in the Room*, the memoirs of former Greek minister of finance Yanis Varoufakis, are eye-opening to anyone thinking there might be room for maneuver within the Council of Ministers, the intergovernmental, and primary, chamber of European legislative power. His quote “I might as well have been singing the Swedish national anthem” exemplifies the attention paid by his European colleagues

34 European Round Table of Industrialists, “Reshaping Europe,” 1991, <https://www.ert.eu/document/reshaping-europe>.

to the people's wishes. Paul Magnette, former social-democratic head of the Walloon regional government in Belgium, described the EU as a mechanism designed to isolate minority opinions. Under pressure, Magnette's 2016 resistance to the EU-Canada free trade agreement proved short lived. Moreover, since the Lisbon Treaty of 2008, voting systems within the Council reinforced the dominance of big member states over smaller ones. By reinforcing the connection between member states' populations and voting rights, Germany, whose economy now largely dominates Europe, saw its share of the votes double overnight.

Unsurprisingly, the EU generally intervenes on behalf of European capital, and mostly its dominant factions. Greece was bombed with austerity dictates, but Germany was never sanctioned for its excessive and destabilizing surpluses. The rules of economic governance and the sanction mechanisms going up to fines of 0.5 percent of GDP, payable to the European institutions if a member state does not respect the neoliberal prescriptions, are nothing short of breathtaking. When the Irish government came under high popular pressure to abolish water charges, the European Commission even forgot legal exceptions in its own Water Directive, and supported the government against the movement. The construction of the internal market does more than destroying national obstacles to the free movement of capital and services. It also submits ever more sectors to privatization and liberalization, the DNA of current treaties. Fiscal treaties hamper any serious public investment program.

It would be a mistake to underestimate the resilience of the current EU. Contradictions are many, but both the eurozone and the supranational state under construction are first and foremost a political project. Its architects, who cannot be reduced to German capital, will fight for it. The political will might be found to implement some useful reforms, including flexibilities, to save the euro, at least in the short run. Several core European states, France and Germany among them, have tentatively considered making such concessions. The main German candidates for the chancellorship did not exclude limited, and insufficient, internal solidarity mechanisms. Projects to create a European treasury and finance minister, albeit only for

the nineteen countries having adopted the common currency, are more than theoretical lucubration.

This will likely come with increased militarization of common border controls and the ongoing integration of European military forces. European transnational corporations can no more do without a credible and operational military force than their US counterparts. As Thomas Friedman famously put it “The hidden hand of the market will never work without a hidden fist — McDonald’s cannot flourish without McDonnell Douglas, the builder of the F-15. And the hidden fist that keeps the world safe for Silicon Valley’s technologies is called the United States Army, Air Force, Navy and Marine Corps.”³⁵ In light of its relative military strength compared to Germany, France hopes military integration will reinforce its weight within the EU. The Framework Nation Concept will help Germany take the lead, Berlin hopes. Albeit fearful of dependency upon German policy decisions in defense and foreign affairs, the Netherlands, Czech Republic, and Romania have already placed part of their armed forces under German command. In November 2017, over twenty states launched a Permanent Structured Cooperation on defense matters. The fresh impulse includes the launch of a European Defense Fund with a European Defense Industrial Development Program. The objective is to support investment in joint research and development of defense equipment and technologies, as well as boost the competitiveness and innovative capacity of the EU defense industry. In the state-building process, defense cooperation appears a feasible next step, which would enshrine a European integration at vastly different speeds. Such a state would be neither democratic, nor social, but potentially viable.

THE NEED FOR EUROPEAN RUPTURE

A different system, with genuine democracy and breaking multinational corporations’ power over society, will have a European dimension. An

35 T.L. Friedman, “A Manifesto for the Fast World,” *New York Times Magazine*, March, 28, 1999.

isolated socialist state in the midst of a hostile European continent would be utterly unsustainable, if possible to create. Moreover, even if it were successful, fundamental issues, from climate change to refugees, would prove impossible to deal with. At the same time however, the ontology of the European state apparatus under construction leaves no doubt. Such a different Europe will require vastly different institutions. The current European treaties and institutions are designed not just to guarantee corporate oversight over decision-making at every level or create an interventionist “defense” system, but also to defuse, co-opt, and swallow any challenge to the system in an infinity of committees and commissions, meetings and institutions. European capital is building a state apparatus to obtain bigger slices of global spoils. Calls to save the EU or the social-democratic fantasy of turning this apparatus into a tool of and for labor are just that: fantasies obscuring the class nature of existing institutions. Rather than raising awareness of the need to build a counterforce to the power of capital, such claims reinforce illusions in the neutrality of the constructed apparatus.

A socialist strategy includes nourishing the growing sentiment that the fundamental needs of the people conflict with current capitalist society, while strengthening the position and organizational strength of the working classes along the road. Without the construction of a counterpower, a fundamentally different Europe and the necessary rupture with the power of capital are unimaginable. In other words, rupture implies emphasizing precisely those aspects of Gramscian strategy that Nicos Poulantzas chose to downplay.³⁶ As Kevin Ovenden eloquently phrased it, in front of a state, we need to find “the meaning of a truly radical politics which does not avoid the state and all the contradictions focused on it, but instead offers a ‘counter-politics,’ a path between apolitical movementism and reformist parliamentarism.”

Ellen Meiksins Wood goes in the same direction: “In capitalism, a lot can happen in politics and community organization at every level without fundamentally affecting the exploitative powers of capital or fundamentally

36 N. Poulantzas, *State, Power, Socialism*, (London: Verso, 2014 [1978]).

changing the decisive balance of social power. Struggles in these arenas remain vitally important, but they have to be organized and conducted in the full recognition that capitalism has a remarkable capacity to distance democratic politics from the decisive centers of social power and to insulate the power of appropriation and exploitation from democratic struggles.”³⁷

Doing both arguments injustice, one could state that to an extent, exiters and EU reformists share opposite strengths and weaknesses. Against reformist illusions, exiters correctly insist on the necessary break with EU treaties. Opposing illusions of a return to national states, EU reformists are right to advance a European perspective. From the perspective of this article, however, both arguments also share two important shortcomings. On the one hand, more often than not, both lack ambition by offering de facto a better management of capitalism. On the other, both downplay the importance of extra-parliamentary action.

COLLECTIVE EMPOWERMENT

Where is this counterpower to come from? How can the radical left contribute to its emergence? The former question finds a tentative answer throughout the present article. Workers’ movements from public services unions, ports, the car industry, logistics, Caterpillar, Amazon, Ryanair, Deliveroo, and so on, wield huge potential. There is no downplaying broad and diverse movements on labor market reform, climate action, health, agriculture, or trade agreements. Hope stems from these struggles. Under right-wing hegemony, they have the potential of putting the initiative back with social movements and the radical left.

Active participation in the myriad of movements at different levels is of the essence to foster the understanding that a wholly different Europe is necessary. Change comes from below. Bringing the voice of social movements and struggle to the doorstep of parliament is important, but does not suffice. “Many dreams have been brought to your doorstep. They just

37 E. Meiksins Wood, *Democracy Against Capitalism: Renewing Historical Materialism*, (London: Verso, 2016 [1995]): 275.

lie there and they die there,” Nat King Cole knew all too well. The work of radical left-wing members of parliament should serve the strengthening of the movement. Members of parliament bring the struggles of the working people to the parliamentary arena and go back to the people afterward to inform them and reinforce the counterpower.

This vision contrasts sharply with the idea of advancing moderate demands aiming at stabilizing the current European framework or offering it nicer sheen. It finds itself equally at odds with exit campaigns that identify the EU, its currency, or German capital as the main enemy, hence foregoing the systemic nature of unequal development and exploitation. With hegemony still very much held by the Right, the radical left has a responsibility to prioritize awareness raising, organization, and the mobilization of working-class forces at every level. The electoral results or polls in certain countries are a further encouragement to transform this support into a collective political force.

A European perspective will eventually both favor and require more interaction and coordination amongst radical left parties on a European or sub-European level, but does not mean abandoning national struggles. On the contrary, each political party cannot but wage and stimulate struggles in the first place in its own country. Changing the balance of forces within each country will be essential to creating locomotives of change for the whole continent. As change will most probably not come to all European countries simultaneously, some struggles are likely to serve as vanguards of change. Local and national social movements and interconnecting parties contribute to building power relations that can lead to European breakthroughs. Therefore we should articulate our struggle at the local, national, and European level with radical demands towards the (proto-)states at the respective levels. A major task lies in facilitating and actively contributing to the interconnections between struggles and movements across Europe. Top-down electoral initiatives disconnected from local realities will never be a substitute for local activism and grassroots work.

What platform this is best done on depends on concrete and local realities. Ideally, a simple but powerful bottom line would nonetheless

express the desire for a radically different Europe — a continent where key sectors, like energy, are in the hands of the collective and function to their benefit. A continent that will cancel public debt, redistribute wealth, but also invest. Where public services and enterprises cater to the needs of the people. Bernie Sanders’s “Political Revolution” or the Italian “Power to the People” campaign express in a few simple words the need for something completely different. Calls to save and democratize the EU look decidedly bleak in comparison. This notwithstanding, a big ask cannot suffice.³⁸ Without reinforcing omnipresent parliamentarism, the radical left needs to be able to show that change is possible and lay out a credible path towards it. Social movements and their victories bring this oxygen. They show that mobilization and struggle can prevail. That too is why the fight for intermediate and radical reforms matters, why there is no such thing as small victories.

In a general manner, in order to raise awareness we would be looking for concrete demands and campaigns that raise awareness on the class nature and function of the current system, while offering real perspective. Radical social and democratic demands towards the EU can play an important role, giving substance to what power to the people might actually mean. A campaign on a wealth tax can give class contradictions center stage. Why does a multinational enterprise pay fewer taxes than its janitors do? Or, why cut public pensions when the rich pay almost no taxes at all? These are apparently simple questions that nevertheless diverge profoundly from reform proposals that refuse to target the concentration of wealth.

On the one hand, a number of negative demands are of the essence. Negative demands on policies to oppose can include the refusal to apply structural reforms, liberalizations, or privatizations. An interesting starting point at the European level might be the non-regression principle. European cooperation is acceptable only to improve the people’s living conditions — the rest we refuse. Not unlike anti-CETA and TTIP campaigns, these kinds of campaigns are likely to generate widespread support throughout Europe,

38 B. Bond and Z. Exley, *Rules for Revolutionaries*, (Vermont: Chelsea Green Publishing, 2016): 13-14.

while being waged mainly at national or regional levels. Including through campaigns of popular disobedience, a movement could ask a country's withdrawal from treaties or pacts that impose specific policies, like the intergovernmental austerity Fiscal Compact Treaty or the Euro-Plus Pact, a general coordination framework for structural reforms supposed to improve competitiveness. This is by no means self-evident. The overwhelming majority of Europe's social democracy and Greens still refuse this basic rupture, preferring to add a social sheen to the existing framework of competition and austerity.

On the other hand, positive demands will have to offer credible alternatives to deal with the ecological and social crisis. With regard to the climate, proposing massive public investment, the socialization of concerned industries, and the replacement of market mechanisms by ecological planning are not only necessary to save our ecosystem, but also break with the logic of the current system of emissions trading, illustrating that other ways of organizing society are possible. Once again, this is all but self-evident today when market-based solutions are dominant even in Green party programs. Economic demands could include a European public bank, or more radically, the socialization of this too-big-to-fail sector, a European wealth tax and sanctions for profitable companies closing or moving plants. Along these lines, interesting elements can be found in many proposals like the Marshall Plan of the German trade union confederation DGB,³⁹ or the Jobs Plan of the Italian CGIL trade union, which insist on using wealth for public investment, often through fairer taxation.⁴⁰ In 2015, Members of the European Parliament Fabio De Masi (Germany), Paloma Lopez (Spain) and Miguel Viegas (Portugal) proposed to dedicate somewhere between 2-5 percent of European GDP to a plan of public investment.⁴¹

39 DGB, *A Marshall Plan for Europe*, December 2012, https://www.ictu.ie/download/pdf/a_marshall_plan_for_europe_full_version.pdf.

40 CGIL, *Il Piano del lavoro 2013. Creare lavoro per dare futuro e sviluppo al paese*. Rome, CGIL.

41 F. De Masi, P. Lopez, and M. Viegas, "*Juncker-Voodoo: Why the 'Investment Plan for Europe' will not revive the economy*," February 18, 2015, <http://www.fabio-de-masi.de/kontext/controllers/document.php/15.d/4/de7f7b.pdf>.

Social demands for stronger trade union rights, a stop to social dumping, a high European minimum wage, and generalized wage indexation all oppose the logic of competition and connect the European and national levels. Movements already demand different initiatives from the Commission and fight for their government to refuse European attacks on wages. Radical democratic demands can include full transparency of Council and Commission discussions, for what could they possibly have to hide?

The list is far from exhaustive. The proof of the pudding will be in the eating. To what extent do these radical social and democratic demands contribute to deepening, broadening, and uniting the emerging social movements? For it is through the latter that the power of European capital can be challenged and a fundamentally different Europe constructed, free from market fundamentalism and corporate authoritarianism. ✎

What to do about Europe? Among the forces that fight for social transformation, this question gives rise to considerable strategic disarray due to an unresolved tension between two parts of left-wing identity, namely, an internationalist European engagement and a politics of social transformation. This contribution sketches the current coordinates of this dilemma and delineates a general orientation, based on the principle of a selective de-integration and re-integration.

THE WORKERS HAVE NO EUROPE

CÉDRIC DURAND

What to do about Europe? This question has haunted the Left in the Old Continent for decades, and yet the only people who have truly answered it are those who have given up on any emancipatory project. For social-liberal and democratic currents and a major part of Europe's Green organizations, the European question has become an essential component of their political identity. This has led these forces to embrace, in the same enthusiastic move, the deepening of European integration, austerity, and neoliberal reforms. In this sense, Emmanuel Macron's victory in the presidential election was the French counterpart to the grand coalitions in Germany and the centrist governments in Italy. Building on the achievements of European integration and the political practices at work within the EU institutions, an extreme center that claims to be "of both right and left" now projects its bid for hegemony on the national stage as well.

We get a rather different picture when we look at the forces that fight for social transformation, among whose ranks the European question gives rise to considerable strategic disarray. From the far left to social-democratic Keynesians, passing via the Communist Parties and their heirs, the positions

on Europe vary — between those who see no salvation outside of a European social and democratic awakening, even while rejecting austerity and liberalization policies, and those for whom it is impossible to advance a politics of social justice without a partial or total withdrawal from the European institutions. This divide within the various political currents plays out in a different way in each country, often reflecting a deeper sociological cleavage which — especially in France — divides the traditional left-wing electorate between the highly skilled urban and public-sector professionals who favor further integration, and blue- and white-collar workers who above all see this as a threat to their hard-won social rights.¹

The dispute over Europe has a long history, and serious consequences. Since the 1960s, the question of European integration has constituted a nonnegotiable red line for the Socialist parties in their strategies for left unity. Faithful to this orientation, in 1983 François Mitterrand — pushed by his finance minister, the future European Commission president Jacques Delors — decided to align himself with the neoliberal zeitgeist. Indeed, this move repeated itself with each forward step in the integration process: the Maastricht Treaty, the Lisbon Treaty, the European Fiscal Compact, and so on. This ultimately led the social-democratic parties to defer the perspective of a social Europe indefinitely, to the point of almost never mentioning it anymore. Thirty years later, through to the interplay of institutional complementarities, the European integration process's constitutive structural reforms trickled down from product markets and the financial sector to the wage relation, thus trampling on the left-wing electorate's most heartfelt aspirations. Even as a social democracy drifting to the right dies out, succumbing to the tendency to Pasokification, the radical left has in turn been caught up in the same dilemma. Such was the case of Syriza: in refusing to compromise on European integration, when the moment came to choose between remaining in the Economic and Monetary Union and breaking

1 Bruno Amable and Stefano Palombarini, *L'illusion du bloc bourgeois: alliances sociales et avenir du modèle français* (Paris: Raisons d'agir, 2017); Bruno Amable, *Structural Crisis and Institutional Change in Modern Capitalism: French Capitalism in Transition*, First edition (New York: Oxford University Press, 2017).

with the Troika's positions, the Greek radical-left government capitulated.

The fact that such failure has now engulfed even forces to the left of social democracy illustrates an unresolved tension between two parts of left-wing identity, namely, an internationalist European engagement and a politics of social transformation. This is a difficult problem of political economy, but a question which it is essential that we clearly delineate if we are to elaborate a strategy for rupture with neoliberalism. With this objective in mind, this text proposes to shed light on the question in three different ways. Firstly, it takes stock of the coming stages of European integration in order to show that we can expect no change of direction in the philosophy that guides the integration process. It then gets to the very heart of the dispute among the forces fighting for social transformation, as it shows why the seemingly preferable option of reorienting the EU by deepening European integration is an extremely unlikely prospect. Finally, it sketches out a general future orientation, based on the principle of a selective de-integration and re-integration. In so doing, this text seeks to overcome the *aporiai* of a naive Europeanism, albeit without making any concessions to the siren calls of nationalism. Our discussion will then turn to focus on the single currency, showing the reasons why a break from the euro, or its outright dissolution, is indeed both politically and economically sustainable.

1. THE COMING INTEGRATION

The violent socioeconomic shock first provoked by the US subprime crisis in 2008 spread across the Old Continent with unexpected destructive power, and by 2012 transformed into a banking crisis twinned with a sovereign debt crisis. This unpleasant surprise exposed the faults that were undermining the edifice of the Economic and Monetary Union from within, on account of its incomplete character. For this reason, in recent years the continent's political leaders have found themselves caught between, on the one hand, the need to consolidate the existing infrastructure and, on the other, the social and economic opposition coming from both right and left, whose hostility to the EU has radicalized in the face of an evident social and

economic failure. At the same time, this crisis, as well as the financial-assistance plans that accompanied it, provided an opportunity to accelerate neoliberal structural reforms, especially in southern Europe. From capital's point of view, this was certainly a victory, but it also seriously weakened populations' ardor for the European project. So overall, integration did progress, but rather more on the model of a patch-up job than a positive deepening process. Indeed, one of the stakes of Emmanuel Macron's election to the French presidency was precisely to relaunch integration as a deliberate choice and not in terms of simple technical adjustments. But beyond outward appearances, the order of the day remained that of hardening a "system of authority" that serves the neoliberal agenda.

1.1. A Fresh Breath of Euro-Optimism

With his victory in the French presidential election, Emmanuel Macron sought to indicate a return of European willingness. His ambition was a compromise that could reestablish the Franco-German axis and, on that basis, give fresh impulse to a project that the turbulence of the last decade has left rather fragile. This compromise rests on three elements: a neoliberal great leap forward within France itself; the reassertion of a shared Franco-German hegemony; and a boosting of the integration process in more properly political terms.

Resting on a wide base of parliamentary support, which spans the space once occupied by the old dominant parties of the Left and Right, the young president is determined to attack France's distinctive social challenges head-on. After having significantly flexibilized employment law in summer 2017, he wants to reform unemployment insurance, professional training, higher education, and social security. He openly embraces the fact that he is mounting a generalized offensive. He explained this to the leading German weekly, *Der Spiegel*, in the following terms: "I titled my book 'Revolution.' And that is exactly what it is. France is experiencing a time of transformation — in education, on the labor market and in the

pensions system.”² This determination to carry out, all in one go, the structural reforms which his predecessors only groped toward, is combined with a fiscal offensive in favor of capital and the richest households, itself accompanied by a reduction in public spending in conformity with European budgetary commitments. As the *Financial Times* wrote, “France is putting its house in order”; in short, the new president is making multiple pledges of a neoliberal orthodoxy that attempts to satisfy his domestic political partners, coming from among the big employers, and responds positively to the injunctions of conservatives in Berlin, such as are relayed via the recommendations from the Commission.

Not only is Emmanuel Macron intent on breaking the exceptional resilience of the French welfare state, but he combines this with renewed activism on the international stage. This activism reminds us — in barely subliminal fashion — that Germany remains a geopolitical dwarf compared to its neighbor, which has nuclear weapons, a seat on the UN Security Council, and nurtures a major neocolonial influence in Africa and the Middle East. In so doing, Macron is making overtures to German leaders, with a view to undertaking a joint relaunch of the integration process. He outlined his project in a “programmatic speech” at the Sorbonne on September 26, 2017.

Entitled “A Sovereign, United Democratic Europe,”³ the project advanced by Macron consists of proposing a convergence over sovereign functions — foreign policy, defense, and the fight against terrorism. This is also seasoned with a pinch of Europeanization of the democratic domain, insofar as his project proposes that there should be transnational lists for the 2019 European elections. In the economic domain, the project embraces the idea of a common European budget with its own fiscal resources, a minister charged with executing this budget, and parliamentary oversight; it also

2 Klaus Brinkbäumer, Julia Amalia Heyer, and Britta Sandberg, “Interview with Emmanuel Macron: “We Need to Develop Political Heroism,” *Spiegel Online*, October 13, 2017, <http://www.spiegel.de/international/europe/interview-with-french-president-emmanuel-macron-a-1172745-2.html>.

3 ‘Initiative pour l’Europe — “Discours d’Emmanuel Macron pour une Europe souveraine, unie, démocratique,” www.elysee.fr, accessed November 21, 2017, English text at <http://international.blogs.ouest-france.fr/archive/2017/09/29/macron-sorbonne-verbatim-europe-18583.html>.

sketches out the axes of an industrial policy in the digital field and with regard to electric vehicles. Finally, it asserts the need for a social and fiscal convergence, including by establishing a “corridor” for corporation taxes and the generalization of (nationally differentiated) minimum wages. In proposing that access to European structural and social funds be made conditional on criteria of fiscal and social convergence, it also indicates a mechanism of constraint able to twist the arm of recalcitrant smaller countries. This is undoubtedly the plan’s most significant aspect, indicating a determination to limit the possibility of fiscal and regulatory competition within the EU.

The speech was ambitious in tone, displaying an enthusiastic pro-European sentiment that broke with the more coy pledges of allegiance we get from most other heads of state and government, who seem paralyzed by the shrinking electoral base of both center-left and center-right parties of government. The French president took the gamble of fully activating “Europe” as a political signifier, both in order to consolidate his own position on the domestic and international stage and, more broadly, to ideologically remobilize the extreme center around one of the rare reference points that is not immediately drowned in the icy water of egotistical calculation. Will his initiative succeed in injecting fresh dynamism into the integration process? It is too early to tell. But even so, we can note that the elements of his speech regarding the unification of Europe’s budget and industrial policy more resembled the oft-repeated *petitio principii* in favor of a European economic government, than they did any real plan of action. At the end of 2017, these notions, together with the idea of a European Monetary Fund, are again getting bogged down in intergovernmental disagreements and the Commission’s political weakness. What is certain, however, is that no reorientation of the European project is on the agenda.

Emmanuel Macron’s position on taxing financial transactions is instructive in this regard. In his Europe speech, he announced that he wanted “to relaunch on new foundations the project for a European financial transaction tax,” generalized across the EU as a whole. Yet when he did this he was in fact burying a project that has been promoted by NGOs and the Attac association for years, and which was on the brink of success on account

of the strengthened cooperation between a dozen European countries.⁴ Indeed, not only is the new tax which he envisages much more limited than the project that had previously been discussed, in that it excludes derivatives products, but moreover, in calling for its generalization across Europe the French president pitched the project into the long grass. It would be very difficult to secure the unanimous agreement of all member states on such a subject.

In fact, far from the French authorities wanting to constrain financial activities, in the context of Brexit they are instead seeking to strengthen the Paris markets' position as the point of reference for Europe. Paris has already secured the rights to host the European Banking Authority, and it wants to develop its competitive advantage in order to entice London banks to relocate to the French capital. A series of new tax measures favoring financial investors and high earners in the sector are already being put into effect in France,⁵ whereas the perspective of a new and more restrictive European framework for the financial sector is inexorably cast into the distance.

1.2. A Biased System of Authority

This episode regarding the financial transactions tax was telling of the priorities that guide the integration agenda. The main stages announced thus far concern the completion of the capital-markets union by 2019, and in particular, the implementation of EU supervision of the financial markets. One of the objectives of this supervisory role is to encourage the securitization of credits, in order to improve the financing of the economy. The other major site where construction is still ongoing is the banking union. Its completion is stumbling over the question of the implementation of a

4 Attac France, "Le plan d'Emmanuel Macron pour enterrer la taxe européenne sur les transactions financières," Attac France, accessed November 22, 2017, <https://france.attac.org/actus-et-medias/salle-de-presse/article/le-plan-d-emmanuel-macron-pour-enterrer-la-taxe-europeenne-sur-les-transactions>.

5 Solenn Poullennec, "Brexit : les coups de pouce de l'exécutif au secteur financier," *Les Echos Business*, September 26, 2017, <https://business.lesechos.fr/directions-financieres/fiscalite/taxes-et-impots/030614838491-brexit-les-coups-de-pouce-de-l-executif-au-secteur-financier-313628.php#Xtor=AD-6000>.

guarantee fund for shared deposits, such as would allow national banks to be completely decoupled from the public finances of each country.⁶

The dark side of these elements of homogenization in the banking and financial domains is what the 2015 Five Presidents' Report so eloquently terms "A euro area system of Competitiveness Authorities."⁷ If the EU is to sustain monetary and financial unification without accepting substantial budgetary transfers between the different countries, it has to impose adjustments at the level of competitiveness. It thus aims to combine the oversight and sanctions mechanism concerning macroeconomic imbalances (deficits and public debt) with a monitoring and incentive system that seeks the adoption of common standards for "labour markets, competitiveness, business environment and public administrations, as well as certain aspects of tax policy (e.g., corporate tax base)." In short, the structural reforms and budgetary adjustments imposed within the Memoranda — which are still nothing but recommendations, within the framework of the European Semester — would be generalized and take on a binding character. This punitive economic coordination is the price to pay, so long as no substantial European budget is on the agenda.⁸

These major advances from the point of view of finance and the coordination of competitive adjustments show in yet harsher light the poverty of any idea of a "social Europe." After dozens of summits devoted to financial stability, for the first time in twenty years EU heads of state and government met in Gothenburg, Sweden in November 2017 for a summit concerning social questions. It adopted twenty principles that would define a social "Pillar" of the Economic and Monetary Union. If this summit did put back on the agenda a theme that had been completely absent from Europe's

6 Nicolas Veron, "Sovereign Concentration Charges: A New Regime for Banks' Sovereign Exposures | Bruegel," accessed November 22, 2017, <http://bruegel.org/2017/11/sovereign-concentration-charges-a-new-regime-for-banks-sovereign-exposures/>.

7 Jean-Claude Juncker et al., "Completing Europe's Economic and Monetary Union," *European Commission*, Background documents on economic and monetary union, June 22, 2015. English version at https://ec.europa.eu/commission/sites/beta-political/files/5-presidents-report_en.pdf.

8 Xavier Ragot, "Coordonner les budgets en zone euro," *Commentaire* 155/3, (2016): 513-16.

priorities, the resolutions that came out of the meeting were far indeed from guaranteeing “a triple-A social Europe,” as Jean-Claude Juncker claimed. For the European Trade Union Confederation, this was rather more a matter of “a threshold of decency that no one in the EU should fall below,”⁹ and in reality, it was a case of statements of intent lacking in real consequences given that “most of the tools to deliver on the Pillar are in the hands of Member States, as well as social partners and civil society.”¹⁰ But while this declaration was symbolic in character, that did not mean that there was any room for ideological concessions. We can clearly see as much from the section on unemployment benefits: “The unemployed have the right to adequate activation support from public employment services to (re)integrate in the labour market and adequate unemployment benefits of reasonable duration, in line with their contributions and national eligibility rules. Such benefits shall not constitute a disincentive for a quick return to employment.”¹¹ Activation support, reasonable duration, no disincentives to a quick return to employment... If the principle of unemployment benefits is indeed recognized here, it comes with a series of precautions that seriously reduce the scope of this right.

Such convolutions pay tribute to the neoliberal commonplace that the 40 million unemployed and underemployed people in the European Union are primarily at fault for their own situation. This text should also be seen in light of the much more straightforward recommendations that the Commission formulates each spring, in the European Semester. For instance, there was no ambiguity in the recommendations presented to France on May 22, 2017, which advocated “efficiency gains that translate

9 Esther Lynch, “Gothenburg — hot air or the real deal?” Euractiv, November 15, 2017, <https://www.euractiv.com/section/economy-jobs/opinion/gothenburg-hot-air-or-a-real-deal/>.

10 European Commission, “European Pillar of Social Rights in detail,” <http://ec.europa.eu/social/main.jsp?catId=1310&langId=en>.

11 European Commission, “Les vingt principes clés du socle européen des droits sociaux [The European Pillar of Social Rights in 20 principles],” accessed November 28, 2017, https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights/european-pillar-social-rights-20-principles_en.

into expenditure savings” in public spending, the “consolidation of all labour cost reduction schemes,” along with “further action to implement the planned decrease in the corporate income statutory [tax] rate.”¹² More liberalization, more internal devaluation, more bureaucratic authoritarianism ... the Europe to come is no different in nature to the one that has built up over recent decades. Rather, it is its culmination. European willingness is confined to the field of financial stability, for which all the firepower of the European Central Bank remains mobilized. Meanwhile, the EU authorities continue to devote their vigilant attention to keeping a grip on the macroeconomic imbalances between countries, which risk derailing an already dysfunctional monetary union.

Conversely, social Europe, the Europe of industrial policy — in short, the Europe hoped for by the Left — remains at a standstill. Worse than that, the integration dynamic only further weakens the guarantees that still exist at the national level. Why do the neoliberal logic and the European integration project seem so tightly interlinked? On what conditions would it be possible to unbind the two? Only if the Left is able to answer these questions can it hope to resume the initiative in Europe.

2. THE POVERTY OF “SCALARISM”

Writing in history’s darkest hours, Walter Benjamin warned us against any illusions in the storm that we call progress: for “nothing has so corrupted ... as the notion [of] moving with the current.”¹³ The naive belief that history advances through a series of necessary stages toward human emancipation was the source of dramatic defeats for the workers’ movement, especially during the march to war in 1914 and then in the face of fascism. There is no direction of history, and to think in terms of evolution by stages toward

12 European Commission, “017 European Semester: Country Specific Recommendations/Commission Recommendations,” accessed December 1, 2017, https://ec.europa.eu/info/publications/2017-european-semester-country-specific-recommendations-commission-recommendations_en.

13 Michael Löwy, *Fire Alarm: Reading Walter Benjamin’s On the Concept of History* (London: Verso, 2005): 71.

social progress is the surest means of not seeing the disasters that are about to come down on us.

Scalarism is to space what stageism is to time. By scalarism, I mean the idea that displacing some of the attributes of nation-states to a wider scale — in this case, the European scale — would intrinsically represent an advance toward human emancipation. This reading has become the political compass of numerous parties and movements on the Old Continent, but it is far from self-evidently appropriate, and could even prove dangerous. The advances in European integration that we have just examined themselves suggest as much.

Certainly, it is indeed very important to pose the question of political scales. Size counts, and there are benefits to political-spatial expansion, for instance through the mutualization of risks in social-protection systems, more efficient macro-environmental regulation, improved negotiating power on the international stage, or indeed the specialization gains associated with wider markets. But as well as these advantages of scale, we should also indicate the possible disadvantages in terms of socio-productive diversity and democratic control. And even these advantages ought to be seen in light of the sociopolitical dynamics that underpin them. Indeed, the processes of integrating and de-integrating state functions are never neutral; they allow the distortion of the relationship of forces between social groups, depending on what path these processes take.

The main pitfall of scalarism is to act as if we could appreciate continent-wide integration in isolation, without setting it in light of the transformations of the social and political terrain that go with this, which transform different social actors' capacities of intervention. For the purposes of illustrating this scalarist *aporia* I will dwell for a moment on the positions of Yanis Varoufakis, finance minister in the first Syriza government and initiator of the cross-European DiEM25 movement. In particular, I would like to focus on the roots of his shilly-shallying on the question of the European single currency. More fundamentally, if we are to determine the strategic possibilities of transforming the EU, we absolutely must take two factors into account: on the one hand, the implications of the reversal in

the hierarchy of institutional priorities that has accompanied integration; and, on the other hand, the obstacles to a simultaneous breakthrough of left-wing forces at the continental scale.

2.2. *The Rambunctious Charm of Confusion*

Acclaimed by the *Guardian*, supported by Slavoj Žižek, Noam Chomsky, and Susan George, and able to fill lecture theaters in Paris, Berlin, or Seville, Yanis Varoufakis is the political pop star of the European left — a position that he very much intends to put to use at the 2019 European elections.¹⁴ Unfortunately, the orientation that he expounds with such panache in his enthralling political memoir *Adults in the Room*, above all exemplifies the confusion that remains prevalent among a large part of the European left. As we know, the Left's refusal to break with the euro was the decisive point of the debacle of the third Greek memorandum in July 2015, when Alexis Tsipras pitched his Greek radical-left coalition into insignificance. In submitting to the third memorandum rather than quit the European and Monetary Union, the Syriza government accepted that it would pursue austerity policies, privatization, and deregulation. The effect is that seven years after the first “rescue plan,” the Greek people's suffering is continuing to get worse¹⁵ without the debt burden thereby becoming any lighter. Yet even when he looks back on that debacle, Varoufakis still defends what looks like an incoherent position.

On the one hand, the short-lived finance minister shows that confrontation with the EU's institutions is inevitable. He presents, as an appendix to his book, a short exercise in game theory which soberly and elegantly summarizes the strategic configuration that Syriza faced — a situation of conflict whose general principles would also apply, with varying degrees of intensity, for any

14 Interviewed by Edwy Plenel on October 14, 2017, Yanis Varoufakis said that he was “certain that Europeans from Lithuania to Portugal and from Dublin to Crete will be given the opportunity to vote for DiEM25 in the 2019 European elections.” *Mediapart*, “Rencontre avec Yanis Varoufakis: dans les coulisses secrètes de l'Europe,” <https://youtu.be/CiDCWJ9HkYk?t=34m34s>.

15 Henry Foy, “A Greek tragedy: how much can one nation take?,” *Financial Times*, January 20, 2017, <https://www.ft.com/content/44478b7e-dd09-11e6-9d7c-be108f1cdce>.

left-wing government that took office within the EU.¹⁶ This confrontation can only be resolved in three ways: capitulation by the radical-left government; a compromise loosening the binds of austerity, implying a political defeat for the Troika and the German government; or Grexit. Yet as Varoufakis demonstrates, the very thin chance of compromise demanded 1) that the institutions and the other governments of the EU believed that Syriza would embrace Grexit rather than capitulate, and 2) that they considered that the political and economic cost of a Grexit from the single currency was so severe that they would prefer to climb down. The possibility that the institutions would stand firm and let Grexit happen was very real, but according to Varoufakis, there was no way out: “the only way of keeping Greece within the eurozone sustainably was to fear Grexit less than we feared a third bailout.”¹⁷

Alas, this lucid, persuasive analysis stands totally in contradiction with both Varoufakis’s action on the battlefield, and the political aspirations that he has expressed elsewhere. In 2013, he devoted all his energy to “dissuad[ing] Alexis [Tsipras] from turning Grexit into an objective, or from using it as a threat,”¹⁸ and he crossed swords with the left wing of the party precisely in order to rule out this option. Following this same line, as finance minister he refused to take the initiative of imposing capital controls, precisely because this would have been a step in the direction of leaving the eurozone.¹⁹ Seeking at all costs to avoid tackling the currency question head on, he offered instead a few ruses — electronic fiscal currency, the thread of a unilateral haircut of bonds held by the ECB, and so on — which were unable to convince his comrades, and soon came to nothing when confronted with the Troika’s stubborn determination.

16 Analyzing France Insoumise’s alternative budget proposals, journalist Romaric Godin emphasizes that the principal limit of this exercise consists of the impossibility of taking account of the inevitable confrontation that implementing a heterodox macroeconomic policy would provoke with the EU institutions, starting with the ECB. “Le contre-budget des Insoumis a la loupe,” *Mediapart*, https://www.mediapart.fr/journal/france/101117/le-contre-budget-des-insoumis-la-loupe?page_article=3.

17 Yanis Varoufakis, *Adults in the Room* (London: Penguin, 2017).

18 Ibid.

19 Ibid.

Varoufakis's tactical retreat was not occasioned by the technical and economic difficulties of leaving the single currency: difficulties that are very real, but by no means insurmountable. Indeed, in 2015 a Grexit would have taken place in relatively favorable circumstances:²⁰ the country bled dry by a series of adjustments inherited a sanitized budget and trade situation, which would have allowed it to default on its debt without risking being destabilized by the interruption of external financing. Most importantly, devaluation would have very quickly brought a great breath of fresh air to an exhausted productive sector.

The heart of the problem lies elsewhere, in the strictly political field: to Varoufakis, the prospect of leaving the single currency is associated with the idea of giving up on Europe, which will in turn inevitably produce a fascist backlash. This strategic reading is a constant of his, expressed in direct and explicit terms in his 2013 talk "Confessions of an Erratic Marxist":

DURAND

A Greek or a Portuguese or an Italian exit from the eurozone will soon develop into a fragmentation of European capitalism, yielding a seriously recessionary surplus region east of the Rhine and north of the Alps while the rest of Europe is in the clasp of vicious stagflation. Who do you think will benefit from this development? A progressive left, that will rise Phoenix-like from the ashes of Europe's public institutions? Or the Golden Dawn Nazis, the assorted neofascists, the xenophobes, and the spivs? I have absolutely no doubt as to which of the two will benefit from a disintegration of the eurozone. I, for one, am not prepared to blow fresh wind into the sails of this postmodern version of the 1930s. If this means that it is we, the suitably erratic Marxists, that must try to save European capitalism from itself, so be it. Not out of love or appreciation of European capitalism, of the eurozone, of Brussels, or of the European Central Bank but just because we want to minimize the unnecessary human toll from this crisis.²¹

20 For an assessment of the Battle of Greece see Cédric Durand, "Contre le défaitisme" in Alexis Cukier and Pierre Khalfa, *Europe, L'expérience grecque: Le débat stratégique*, (Paris: Le Croquant, 2015).

21 Yanis Varoufakis, "Confessions of an Erratic Marxist," Keynote speech, Subversive Festival, Zagreb, Croatia, May 14, 2013, <https://www.nakedcapitalism.com/2013/12/yanis-varoufakis-confessions-erratic-marxist-midst-repugnant-eurozone-crisis.html>.

Thus our generation's historic task is to democratize Europe — as the DiEM25 manifesto proclaims — in order to save European capitalism from itself and avoid fascism.

The problem is that Varoufakis's view prevents us from contemplating the very idea of a break, even though this is the *sine qua non* condition — as Varoufakis himself confesses — of any national left-wing government not ending up capitulating. Ultimately, despite his convolutions and *petitio principii* over the unreformable character of the European Union, the general orientation that Yanis Varoufakis carries forth is thus similar to the one that has guided social democracy for decades: the European ideal comes first, taking priority over the fight for social justice; or in other words, the ambitions of a left-wing government at the national scale are confined by the constraints of integration. And, for reasons that I am about to explain, this implies that there can be no victory for the Left before it is able directly to act at the European scale.

Rather than invoking the fascist threat, one variant of this approach, which was notably developed within the European United Left group (GUE) during the debate on Greece, argues that there are not sufficient margins of economic manoeuvre to risk a confrontation with the EU's institutions.²² The conclusion is identical: the national scale cannot be the site of a left-wing rupture; no significant advance is possible except at the European level.

We will later return to this question of the economic sustainability of leaving the single currency. But before that, we must critically examine the idea that there is a European dimension that stands prior to any political recovery. We shall do so by examining the effects that European integration has had on labor's power of action.

22 The supposed economic unsustainability of leaving the eurozone is, for example, an essential argument for Marc Botenga "Should the Radical Left Fight for a Euroxit?," *Catalyst* 3, (2018), since the other main objection which he raises, namely the question of the articulation of electoral dynamics and social mobilizations, does not *a priori* constitute a more important problem just because political initiative takes place at the national rather than European scale; indeed, we might even think that it would be easier to articulate political and social dynamics at the national scale. On the Greek debate, as seen by part of Die Linke through the prism of economic "realism," see Joachim Bischoff et al., "Grexit - retour à la drachme?" in *Écrits sur la Grèce: points de vue européens*, ed. Dominique Crozat and Élisabeth Gauthier, *Enjeux et débats d'Espaces Marx* (Vulaines-sur-Seine: Éditions du Croquant, 2015).

2.2. *The Geopolitics of Dispossession*

In 1989, as the single market was about to come into effect, Martin Bangemann — the European commissioner responsible for the internal market and industrial affairs — emphasized that “no other part of the world has ever seen such a radical experiment in the unleashing of free market forces.”²³ Not long afterward, the post-socialist transition processes in the East translated into even more brutal shock liberalization, and the continent-wide restructuring effort resumed without delay with the bringing together of a single currency — albeit without shared budgetary sovereignty — on January 1, 1999. *Post festum*, it is impossible to interpret these two stages in the regional integration process as a simple transposition of nation-states’ functions, in all their disparate forms, onto a European synthesis. Of course, in projecting specific state functions — the regulation of markets and money — onto a new scale, European integration does go hand in hand with the spatial extension of capital accumulation. But this change of scale simultaneously introduces political biases which are structurally favorable to finance and the interests of multinational companies.

At the beginning of the 2000s, the regulation-school economist Robert Boyer proposed an interpretation of this great institutional manoeuvre.²⁴ The completion of the single market and then the creation of the euro led to a complete overturning of the hierarchy of structural forms, compared to the postwar period. Where wage bargaining had once been the top priority, the preeminent place now went first to competition — with the single market and the liberalization of international trade piloted from Brussels — and then to monetary and financial questions, with the complete liberalization of capital flows and the preparations for the single currency.

This overturning of the hierarchy of institutional forms would have

23 Martin Bangemann, “1992: A Radical Experiment Unleashing Free Market Forces.” See summary of speech delivered by Mr Bangemann, Tokyo, May 26, 1989 at European Commission, http://europa.eu/rapid/press-release_IP-89-373_en.htm?locale=en.

24 Robert Boyer, “The Unanticipated Fallout of European Monetary Union: The Political and Institutional Deficits of the Euro” in ed. C. Crouch, *After the Euro*, (Oxford: Oxford University Press, 2000): 36.

major consequences. It was now the wage relation that had to adapt to the constraints of international trade (competitiveness) and financial stability (weak inflation, financial valorization). This was a complete reversal of the priorities that postwar reconstruction and the power of the workers' movement had imposed from the 1950s to 1970s. In other words, European integration is the instrument through which capital frees itself of a class compromise, relatively favorable to labor, inherited from the postwar period, at the same time as it restructures itself the better to insert itself within globalization and take the road of financialization that was already begun on the other side of the Atlantic.²⁵

Faced with the unbalanced character of European integration, the center-left has been strongly mobilized by the idea of building a social Europe. This has given rise to various projects, one of the most advanced — and opportune — of which concerns the establishment of a European unemployment insurance scheme.²⁶ This proposal, formulated in various different versions since 1975, has numerous attractive features. First of all, it would mean a social conquest that gave the world of labor a material stake in the European project. It would also be a tool for automatic regional macroeconomic stabilization: financial flows would make up for the discrepancies in different regions' economic cycles, since the contributions in the more dynamic regions would finance benefit payments in the ones struck by recession. At the same time, given that this mechanism would be linked to the dynamic of the labor market, it would not appear as a permanent transfer mechanism, which would be unacceptable without a completed political union. Secondarily, this would also be grist to the mill of the European-wide trade unions, finally giving a continent-wide grounding — and not just a symbolic one — to the idea of a European social democracy.

25 Cédric Durand and Tristan Auvray, "Un capitalisme européen? Retour sur le débat Ernest Mandel / Nicos Poulantzas" in Jean-Numa Ducange and Razmig Keucheyan, 1st edition, *Actuel Marx confrontation* (Paris: PUF, 2016).

26 Sebastian Dullien, "A European Unemployment Insurance Scheme?," *booksandideas.net*, accessed December 1, 2017, <http://www.booksandideas.net/A-European-Unemployment-Insurance-Scheme.html>; Léo Aparisi de Lannoy and Xavier Ragot, "Une (ré)assurance chômage européenne," *OFCE Policy brief*, no. 28 (November 30, 2017), <https://www.ofce.sciences-po.fr/pdf/pbrief/2017/pb28.pdf>.

This horizon of a positive, social European integration is constantly put on hold, and for reasons that go beyond a lack of determination on the part of social-democratic political leaders. Starting out from the principles stated in the treaties, which stipulate free competition, price stability, and restrictive budgetary policy, the European Court of Justice, the Commission, and in a certain measure also the European Central Bank can demand adjustments from the member states with regard to their social and industrial policy and their public service missions. Conversely, the elaboration of new social rights or industrial policy objectives at the European level requires an intergovernmental accord — something which is extremely difficult to obtain. This asymmetry between the dynamism of negative integration and the onerousness of positive integration is the fundamental reason why hopes of even a small reorientation of the European project away from neoliberal precepts are forever disappointed.²⁷ Social Europe is a chimera; this was the deeper meaning of Mario Draghi's statement to the *Wall Street Journal* in 2012: "the European social model is already gone."²⁸

The chasm between the democratic political life that mainly plays out on the national stage, and the fashioning of economic policies, which is instead concentrated at the European level,²⁹ has little by little become even deeper. The innovations introduced in response to the euro crisis — the European Semester, the six pack, etc. — have only aggravated the famous democratic deficit, as the institutional biases which we have just described became yet more entrenched. The Commission has seen its authority and autonomy strengthened and expanded, such that it can supervise state budgets and contain external imbalances that are judged to exceed the bounds necessary for the proper functioning of the single market. Coming at the

27 Fritz W. Scharpf, "The Asymmetry of European Integration, or Why the EU Cannot be a 'Social Market Economy,'" *Socio-Economic Review* 8/2, (2010): 211-50; Fritz W. Scharpf, "After the Crash: A Perspective on Multilevel European Democracy," *European Law Journal* 21/3, (2015): 384-405.

28 Brian Blackson, Matthew Karnitschnig, and Robert Thomson, "Q&A: ECB President Mario Draghi," *Wall Street Journal*, February 23, 2012, <http://blogs.wsj.com/eurocrisis/2012/02/23/qa-ecb-president-mario-draghi/>.

29 Vivien Schmidt, "Democracy in Europe: The Impact of European Integration," *Perspectives on Politics* 3/4, (2005): 761-779.

price of persistent mass unemployment, structural reforms are the only means to address the constraints imposed by the higher order represented by competitiveness and financial stability. The integration process thus appears as a genuine geopolitics of dispossession. It is a powerful movement that captures the internationalist affects of populations who aspire to a rapprochement among peoples, and then turns this political energy back against these populations by cutting social protections and public services. And as it does so, it institutionally locks down any possibility of a democratic counteroffensive.

2.3. The Geo-Economics of Fragmentation

The lack of institutional footholds paralyzes trade union action and blocks the political horizon at the European level. There are sometimes effective actions across national boundaries, seeking to defend workers' interests in the face of their common employers. But this is not the case of mobilizations directed at the European authorities themselves: the action of the European Trade Union Confederation has had no more effect on European policies than the Social Forum mobilizations of the 2000s. Could this blockage perhaps be overcome, through political mobilizations or successes that are sufficiently synchronized to allow the democratization of the EU and the overhaul of its institutional hierarchy? This is what a large part of the Left are mainly betting on, as we saw in examining Yanis Varoufakis's positions.

Yet unfortunately, the chances of a political or social breakthrough succeeding at the directly European level seem to be extremely thin, even if we cannot rule it out entirely. Indeed, there is a patent discrepancy between the significant advances that the social and political left are making in a series of countries — making it possible to foresee the possibility of national-scale electoral victories in countries like Spain, France, or Belgium — and the absence of any similar European perspective. There are numerous reasons for this, from the institutional biases that we have just mentioned to linguistic and cultural divides and the lack of any media with a truly European audience (except the *Financial Times*...). These

combined factors make it difficult for any joint form of popular pressure to express itself at the continental scale. As if these obstacles were not enough, they are also compounded by a geo-economic dynamic that results from integration, which far from bringing the workers from different countries closer together, tends to desynchronize their respective class subjectivities.

Adopting a Bourdieusian perspective, recent studies have tried to outline a classification of social-class structure, not in each country but in the EU as a whole. They show a greater concentration of the popular classes in the eastern and south European periphery, whereas the upper classes occupy a more important place in the countries of northern Europe.³⁰ This division reflects the polarization and complementarity of economic structures between a European core where skilled service jobs are predominant, an eastern periphery where industry retains a central position, and southern Europe where a traditional, low-skilled tertiary sector endures. This analysis also shows that the middle classes are extremely heterogeneous, with the consequence that this social group cannot constitute a continent-wide pole one which the European project could be hitched, especially if we take into account the fact that the most mobilized fractions of these middle classes — those from the public sector — are hit head-on by the austerity policies driven from the European level.³¹

More generally, the predominant dynamic is the lack of any unification of the European social space. In the absence of a substantial European budget or European-scale welfare state, the harmonization of higher education systems and the qualifications required in certain professions is hardly sufficient to nurturing professional solidarity across frontiers, as was the case with the internationalization of the workers' movement from the mid-nineteenth century onward. We can thus well explain the difficulty of mobilizing European social classes: even taking the example of "one given profession, the living standards differentials between regional units and the

30 Cédric Huguée, Étienne Penissat, and Alexis Spire, *Les classes sociales en Europe: tableau des nouvelles inégalités sur le vieux continent*, Ordre des choses (Marseille: Agone, 2017): Chapter 1.

31 Huguée, Penissat, and Spire, 207.

resulting competition mean that there is little chance of European citizens uniting on the basis of their social class. Their ‘identity of conditions’ and the defense of their common interests seem rather more to lead them to mobilize on the basis of their own national belonging.”³²

In addition to this fragmentation of the workforce along national lines, the desynchronization of socioeconomic rhythms throws up yet further obstacles to the possibility of collective action at the EU-wide scale. Indeed, since the 2000s the single currency and the integration of the central European countries have driven an extremely unbalanced dynamic. The central European countries realized their industrial “catch-up” by means of integration into chains of industrial value that are principally governed by Germany. This has allowed a rapid rise in what were initially very low wages. For her part, Germany saw her own competitiveness booming on account of these new, lower-cost sources of intermediate products. And there was also wage stagnation as a result of the increased segmentation of the workforce, with the impoverishment of wide layers of tertiary workers. At the same time, the countries of Europe’s southern periphery saw an illusion of growth, on account of the abundance of financial cash flows; activity in the non-tradable goods and services sector was artificially boosted by indebtedness, which allowed a rise in employment and wage levels and the preservation of social protection.³³ But with the crisis of 2008 and its repercussions in Europe, this dynamic was completely cut off. The countries of the so-called southern periphery (here including Ireland) experienced a prolonged recession and a deterioration of social indicators. Meanwhile, Germany enjoyed a rapid recovery, this time partly benefiting the workforce and allowing the central European countries to build up momentum again, albeit at a slower rhythm.

These contrasting trajectories in large part result from the economic interactions between the different regions of Europe. When we look at the

32 Cécile Brousse, “L’Union européenne, un espace social unifié?” *Actes de la recherche en sciences sociales* 219/4, (2017): 12-41..

33 Engelbert Stockhammer, Cédric Durand, and Ludwig List, “European growth models and working class restructuring. An International post-Keynesian Political Economy perspective,” *Environment and Planning A*, May 3, 2016.

evolution of wage levels, public spending on social protection, and unionization rates, the divergences between these regions are stark. Thus in the pre-crisis period, between 2000 and 2008 (Table 1), the situation devolved in a manner relatively favorable to workers in southern Europe, with a significant rise in wages and in social protection and resilient unionization rates, whereas Germany saw near-stagnation in wage levels, a significant drop off in social protection, and an accelerated drop in unionization rates. In the East, conversely, wages rose strongly in this period on the back of rapid productivity gains, but the relative importance of social protection was eroded and unionization rates collapsed.

TABLE 1: THE EVOLUTION OF WAGE LEVELS, PUBLIC SPENDING ON SOCIAL PROTECTION, AND UNIONIZATION RATES IN DIFFERENT EUROPEAN REGIONS (2000-2008)

DURAND

	Central	South	East
	Germany	Spain, Greece, Ireland, Italy, Portugal (average)	Czech Rep., Hungary, Poland, Slovakia, Slovenia, (average)
Real wages (growth in %)	1.8	9.1	28.2
Social protection (growth in public spending as % of GDP)	-1.2	3.7	-0.45
Unionization (growth as % of workers)	-5.6	1.4	-9.5

Source: OECD data

Now, if we look at the post-2008 period (Table 2), we see that these were more prosperous years for the German workforce, with a marked rise in wage levels (+9.7 percent), near-stability in social protection, and a slowdown in the fall in unionization rates. Things, however, got a lot worse for the workers of the periphery. In the south, the adjustment over the course of the eurozone crisis manifested itself in a very significant fall in wages, shrinking social protection, and an accelerated fall in unionization (depending on the country, the figures for this variable only go up to 2013 or 2015). So, too, in the east, the industrial catch-up dynamic slowed down considerably relative to the previous period, while the fall in unionization persisted at a sustained rhythm.

TABLE 2: THE EVOLUTION OF WAGE LEVELS, PUBLIC SPENDING ON SOCIAL PROTECTION, AND UNIONIZATION RATES IN DIFFERENT EUROPEAN REGIONS (2009-2016)

	Central	South	East
	Germany	Spain, Greece, Ireland, Italy, Portugal (average)	Czech Rep., Hungary, Poland, Slovakia, Slovenia, (average)
Real wages (growth in %)	9.7	6.9	8.7
Social protection (growth in public spending as % of GDP)	-0.2	-0.6	-0.8
Unionization (growth as a % of all workers, up to 2013 or 2015 depending on the country)	-1.8	-1.6	-4.4

Source: OECD data

This analysis, which leaves aside countries in an intermediate position like France and other northern European countries, is, of course, very schematic. It nonetheless allows us to underline one essential consideration: namely, that there are basic material factors that explain the difficulty of making the European workforce a political subject at the continent-wide level. The interplay of the different economic and financial modes of insertion into the continent's economy results in a desynchronization of the evolution of the wage-relation. This renders extremely difficult the alignment of subjectivities that would be necessary for collective action, and thereby the constitution of the workforce into a trans-European political subject.

So, as well as the absence of institutional footholds and the considerable heterogeneity of wage conditions even within individual professions, the discordance of socioeconomic rhythms makes it particularly difficult for a European social movement to emerge. Equally, this discordance makes it difficult for there to be any series of electoral breakthroughs sufficiently clustered together to allow the advance of a decisive political action at the continent-wide level.

3. TAKING A STEP BACK, THE BETTER TO TAKE A LEAP FORWARD

If reorienting the European project through the normal institutional game appears implausible, the chances of a democratic uprising or a social movement at the trans-European scale are barely any higher. These adverse factors combine to preclude any prospect of a Euro-Keynesianism able to change the course of European integration. In such a context, the strategic challenge facing the Left is that of articulating a project of social transformation that integrates the European dimension even while taking into account the ambivalences of its own putative social base. Such an orientation must be capable of mobilizing the class forces hostile to the EU's institutions, insofar as they represent a deepening of neoliberalism, at the same time as it preserves aspirations for the development of political solidarities across national boundaries, starting out from the European experience that has built up thus

far. This imposes the need to reconcile divergent aspirations, such as to allow the coalescence of a left-wing social bloc able to both dominate a national space and project itself onto the continental scale, as a supranational vision.

We can envisage such a strategy in terms of a selective de-integration and re-integration process, maintaining a European framework while proposing a concrete plan for disarming neoliberalism in Europe. The difficulty of the problem resides in the single currency. As we have seen, envisaging the abandonment of the euro is in fact a necessary condition for embarking upon a politics of social and ecological transformation. I will thus now present the conditions in which such a move can be economically and politically sustainable.

3.1. Selective De-Integration and Re-Integration

Of course, the precise content of the political process that needs inventing will depend on nationally specific situations. The social, economic, financial, and political constraints and opportunities are not the same in Uppsala as they are in Lampedusa. It is nonetheless essential that European left forces elaborate a common narrative, capable of mutually strengthening each other's positions.

Such a strategy first of all proceeds by way of a relegation of the questions of finance and trade. This serves the purposes of interrupting the negative integration process which is inexorably eating away at social rights and chipping away at the capacity for public initiative. One immediate implication of this first principle concerns money. Being able to mobilize the power of money is indeed one of the indispensable attributes of an alternative economic policy. For example, the ECB is committing €30 billion each month until September 2018 in order to buy up securities. This has the effect of pushing down interest rates but also of supporting the valorization of financial assets, and thereby increasing the wealth of the very richest, who are the ultimate owners of the greater part of these securities. Instead of being engaged in service of financial stability, such monetary power could be put to the use of the productive economy and social needs,

with a view to supporting a public, guaranteed employment program³⁴ and the industrial policy necessary for the ecological transition.

Conversely, without control over the issuance of money, a country whose public debt comes under attack will find itself at the mercy of the financial markets and the ECB. Indeed, the cases of Greece but also Ireland and Cyprus have illustrated as much over the course of the euro crisis. The reappropriation of money for the purposes of economic, social, and industrial development is one first component of the selective de-integration that needs to be undertaken. The second element concerns the freedom of capital movements — a freedom which gives the financial markets a permanent power to punish hostile governments — but also the rules of the single market.

Indeed, acting in the name of the principle of free and fair competition, these rules prevent the vertical industrial policy that could alone allow the development of productive capacities and the major innovations necessary in the current era. Finally, the renegotiation of the international trade deals that limit the possibility of regulating exchange and protect multinationals' investment must also be set on the agenda. The principle, then, would be that that social, environmental, fiscal, or health standards decided at the national level would no longer be subordinate to the trade and competition law that has built up at the European level.

The second, necessarily simultaneous element of this strategy consists of continuing with — and even attempting to strengthen — those elements of integration that do not directly start out from subordination to the logic of capital. This is particularly the case in the environmental domain, where most often European regulations are more advanced than national law, and can in any case serve as a minimum foundation. Or, indeed, in the domain of scientific, academic, and cultural collaboration: notwithstanding their limited character, the programs in these fields do contribute to the existence of a transnational community at the continental scale.

At the same time, this element of selective re-integration could sustain itself through the building of transnational welfare guarantees, from

34 Cédric Durand and Dany Lang, "The State as the Employer of Last Resort," *Global Labor Column* 33, (2015).

unemployment insurance to the health care system, where there are significant economies of scale, or through the implementation of instruments for planning the transition to a carbon-free economy. In short, this process would mean the activation of mechanisms that would allow the integration dynamic to be aligned to the interests of the majority of the population.

In technical terms, this differentiated integration process would imply the reduction of the excessively long and detailed European-level constitutional framework. This would help restore vibrancy and flexibility to the integration dynamic, on the one hand by allowing each country the possibility of opting out of the ordinary legislation in order to put a halt to the aforementioned geopolitics of dispossession, and on the other hand, by facilitating legislative initiatives by allowing simple parliamentary majorities to initiate new European laws. This would drastically increase the stakes of European politics, making it less boring and encouraging the emergence of a truly continental-scale democratic life.³⁵

3.2. The Economic and Political Sustainability of Leaving the Single Currency

Beyond this general principle for the articulation of a multilevel European democracy, the question that sparks most concern is that of leaving the single currency, or indeed the total disbandment of the euro. The objections raised in this regard mainly concern three levels: 1) the costs of the transition from the single currency to a new currency; 2) the effects that exchange-rate readjustments would have on trade relations between countries; and 3) concern over financial stability, on account of the balance-sheet effects that a change of currency would have for actors' solvency.

This third point is without doubt the least well understood, but it has major political implications. The objection to leaving the eurozone is the

35 Fritz W. Scharpf, "After the Crash: A Perspective on Multilevel European Democracy," *European Law Journal* 21/3, (2015): 384-405. Peter Wahl, "Between Eurotopia and Nationalism: A Third Way for the Future of the EU," *Globalizations* 14, no 1 (January 2, 2017): 157-63.

following: for the agents of the countries whose new currencies would depreciate relative to the euro, a currency redenomination would imply that their liabilities in foreign currency would tend to be overvalued relative to their assets in the national currency, thus weakening their financial position.

This reasoning is correct but incomplete, for at the same time the position of the agents of the countries whose currency would *appreciate* relative to the euro would also see their balance sheets deteriorate, because their assets in foreign currency would tend to depreciate relative to their liabilities expressed in the national currency. Through a rather technical analysis of the problem, we have demonstrated the unexpected finding³⁶ that if the eurozone were to disband, the main losers would be Germany, Austria, and in, even greater proportion, the European tax havens (Luxembourg, Netherlands), who would see the deterioration of their agents' balance sheets. In such a scenario, Portugal and above all Greece would see a boom in their public debt. This would necessarily have to lead to a — in any case desirable — restructuring process.

However, beyond that, the financial and nonfinancial private sectors of each of these two economies, and the rest of the countries taken as a whole, would see their position improve. In other words, the expressions of financial fragility would be concentrated at the very points where there exist situations in dire need of resolving — i.e., the public debt of peripheral countries in need of relief, and tax havens — and within those countries whose financial situation is sufficiently robust that slight damage to certain sectors' financial balance sheet could be absorbed without any major shock.

The main risk would then come from abrupt capital flight movements, which could result in a foreign-exchange crisis. Preemptive measures are indispensable in order to prevent such a development, starting with the reintroduction of capital controls and the establishment of emergency lines of credit for businesses facing temporary difficulties, such that they can finance their imports. There is nothing out of the ordinary about such mechanisms, and indeed they were repeatedly applied during the course

36 Cédric Durand and Sébastien Villemot, "Balance Sheets after the EMU: an Assessment of the Redenomination Risk," *Documents de Travail de l'OFCE* 2016-31, (2016).

of the euro crisis.³⁷ For example, not only do we know that in late 2017 Greece still remains under a moderate capital-controls regime, but also that in France, the finance ministry's staff preempted a possible second-round runoff between Marine Le Pen and Jean-Luc Mélenchon in the recent presidential election by mapping out contingency measures in order to prevent any abrupt capital flight.

Whatever the specific case, the essential thing is that the exchange-rate adjustments are not too abrupt. It is here that the considerations we advanced regarding the effects on balance sheet take on their full political importance: financial interdependencies, and the resulting risk of balance-sheet losses for the countries of the center, would constitute an extremely strong incentive to collaborate, in order to avoid excessive appreciation of their exchange rates. Whatever the monetary order that would then follow — from the simple disbandment of the eurozone, to a single country leaving, the currency area breaking down into a northern and southern euro, or the introduction of a shared currency for international trade, etc.³⁸ — it would very much be in the interest of all parties concerned to collaborate and thus to mandate their central banking systems to make a concerted intervention to prevent any excessive variation in exchange rates.

As regards the effects that exchange-rate readjustment would have for economic activity, here we are on well-covered ground. For the countries whose new currency would depreciate relative to their trade partners, there would quickly be a major spur to growth. For the countries whose adjustments are greatest, there would be a notable growth effect in the short and medium term — as precedents like Russia in 1998, Argentina in 2001, and

37 Heiner Flassbeck and Costas Lapavistas, "Confronting the failure of the European Monetary Union" in *Asymmetric Crisis in Europe and Possible Futures*, *Critical Political Economy and Post-Keynesian Perspectives*, eds. Johannes Jäger, Elisabeth Springler (2015): 131-49; Gikas A Hardouvelis and Ioannis Gkionis, "A Decade Long Economic Crisis: Cyprus versus Greece," *Cyprus Economic Policy Review* 10/2, (2016): 3-40.

38 Joseph E. Stiglitz, *The Euro: How a Common Currency Threatens the Future of Europe* (WW Norton & Company, 2016); Jacques Mazier and Pascal Petit, "In search of sustainable paths for the eurozone in the troubled post-2008 world," *Cambridge Journal of Economics* 37/3 (May 1, 2013): 513-32; Flassbeck and Lapavistas, "Confronting the failure of the European Monetary Union."

Iceland in 2009 have already shown — but also in the long term, because exchange rates have incredibly powerful effects on growth.³⁹ Countries—such as France — whose exchange-rate variation would be divided more or less half and half between trade partners relative to which the currency would appreciate and those relative to which it would depreciate, would not be greatly impacted overall, since competitiveness gains would make up for the losses suffered, although it is also true that the effects would be distributed unequally across different sectors.⁴⁰ For countries whose currency would substantially appreciate, such as Germany, the Netherlands, and Austria, there would be a significant impact. It would be necessary to stimulate internal demand, especially in the sector of non-tradable goods, in order to avoid a recessionary shock. However, given that these countries have considerable budget margins and a very positive external position, they would also be the countries best able to mobilize resources to set a recovery in motion.

In the end, the main immediate consequence of exchange-rate readjustments would be to reduce current account imbalances,⁴¹ and especially to put an end to Germany’s colossal trade surplus. This, together with the rearming of exchange rates as a mechanism for adjusting imbalances, would put an end to the deflationary bias imposed by the architecture of the single currency. Ideally, a reinforced system of monetary cooperation would preserve a common currency which would allow the definition of the whole zone’s external position; a clearing mechanism among the participating countries, such as the “bancor” imagined by Keynes, would favor the symmetrical adjustment of surplus and deficit countries.

Rediscovering the possibility of currency devaluation would be

39 Dani Rodrik, “The Real Exchange Rate and Economic Growth,” *Brookings Papers on Economic Activity* 2, (2008): 365-412.

40 Michel Aglietta et al., “Sortie de l’euro et compétitivité française - Le Blog du CEPII,” accessed December 3, 2017, <http://www.cepii.fr/blog/fr/post.asp?IDcommunique=508>.

41 Jacques Mazier, Vincent Duwicquet, and Jamel Saadaoui, “Désajustements de change, fédéralisme budgétaire et redistribution: Comment s’ajuster en union monétaire,” *Revue de l’OFCE* 127, (January 2013); Jamel Saadaoui, “Global Imbalances: Should We Use Fundamental Equilibrium Exchange Rates?,” *Economic Modelling* 47 (2015): 383-98.

particularly important for the development of peripheral countries, for it is the condition for a diversification of production. Here, there is an argument that goes beyond any simply economic logic. The euro today, like the gold standard before the Second World War, has a very powerful effect in imposing uniformity in the conditions in which economies operate. This drastically accentuates the hegemony of the dominant industrial power. Conversely, as Karl Polanyi recognized, devaluations allow for a certain diversity of production structures to be preserved. This allows the survival of socioeconomic arrangements that may be less efficient at the moment, but also constitute resources of socio-diversity and widen the potential paths of economic development.⁴²

CONCLUSION

In his reading of the *Eighteenth Brumaire*, Bob Jessop highlights what we can draw from Marx's analysis of historical conjunctures, and at the same time provides us a powerful antidote against the mirages of scalarism. According to Jessop, in Marx's analysis "the social content of politics is related mainly to the economic interests of the contending classes and class fractions ... rather than to abstract interests identified at the level of a mode of production."⁴³ A meticulous attention to these interests, in their imperative immediacy, allows us to grasp the distorted projection of social positions on the political field, and the differentiated relations with the nation that result. For the popular classes, it is nearly impossible to work on the directly European level in pursuit of social transformation. This impossibility thus flows from a configuration that not only fails to provide an institutional grip on the questions most directly important to these classes, but also

42 K. Polanyi, C. Malamoud, and M. Angeno, *La Grande Transformation: Aux origines politiques et économiques de notre temps*, Collection Tel (Gallimard, 1944): 253; Wolfgang Streeck, *Buying Time: the Delayed Crisis of Democratic Capitalism* (Brooklyn, NY: Verso, 2014): 448-53.

43 Bob Jessop, *State Power* (Hoboken: Wiley, 2013): Chapter 3; Mike Davis, "Marx's Lost Theory. The Politics of Nationalism in 1848," *New Left Review* 93, (2015): 45-66.

reproduces a fragmentation of the social space, both because of persistent wealth gaps and the desynchronization of socioeconomic rhythms.

Deprived of European social rights, and unable to make social and political interventions and the continental scale, the workers have no Europe. The next known stages in the European integration process will further harden the disciplinary character of the modes of macroeconomic adjustment imposed by the need to stabilize a single currency without a budget. Meanwhile, the imagined curbs to the fiscal and social race to the bottom remain entirely hypothetical, and even more so the plans for European unemployment insurance. The aggravation of the sociopolitical imbalance between labor and capital reflects the path-dependence effect in the deepening of a supranational construct which is first and foremost organized around the principle of competition, price stability, and financial stability. More profoundly, it demonstrates the coherence of a political inspiration — the *ordo-liberal doctrine*⁴⁴ carved in stone in the Lisbon Treaty, thanks to the objective of creating a “highly competitive social market economy.” That is to say, social needs will be satisfied through the dynamic of competing capitals, whereas public action will have to limit itself to establishing the conditions for the proper functioning of the market and containing such disorders as might arise.

Neoliberal policies are at the very heart of the European Union. This demands that the social and political organizations of the Left find the avenues that will allow them to activate a new plan for the Continent, running against the forms that the integration process has taken in the past. Between a simple reenactment of what went before in the name of the European ideal, or a Euroscepticism that is just a stunted version of a retreat into nationalism, I suggest that there is also an alternative strategy: namely, the project of a selective de-integration and re-integration of Europe. The objective is to keep open the channels of cooperation between European

44 Pierre Dardot and Christian Laval, *La nouvelle raison du monde: essai sur la société néolibérale*, La découverte poche, 325 (Paris: Éditions La Découverte, 2009): Chapter 7; Josef Hien and Christian Joerges, eds., *Ordoliberalism, Law and the Rule of Economics* (Hart Publishing, 2018).

states, while at the same time acquiring greater room for manoeuvre, in order to reactivate a socialist and environmentalist socioeconomic project. In other words, the goal is to change the hierarchy of the questions around which European integration is organized.

The fate of the single currency is central to such a perspective, given its deflationary bias, the unilateral character of the adjustments that it imposes, and the resulting loss of diversity in socio-productive systems. In theory, a European fiscal system that allowed the rapid rise of a welfare state, an ambitious industrial policy, and consequential regional programs, could change the social nature of the existing monetary order. In practice, the conditions of policymaking at the European level rule out any substantial change within the foreseeable future. This means that for the Left, it is an important political responsibility to embrace exit from the euro, a dismantling of the eurozone, or, preferably, the transformation of the euro into a common currency. Although it should be understood that is not an objective unto itself, but rather a means of taking back control of the political agenda, this question is nonetheless an unavoidable one. While such an institutional construction process poses important legal and political questions, there are no technical difficulties that preclude the adoption of such a course. On the contrary, as I have argued, the incentives structure that today sets creditor countries in opposition to debtor countries would be overturned through the perspective of abandoning the single currency, for each country would have an interest in cooperating to limit financial turbulence and finding a mutually beneficial arrangement. ☞

It is sometimes said that a generous basic income could empower workers to better resist their capitalist bosses.

This familiar claim regarding the emancipatory potential of basic income has things almost exactly backwards.

A universal basic income high enough to be genuinely liberating would require enormous expropriation of businesses and wealthy people.

Consequently, there is no chance of its passage until there is an organized working class already powerful enough to extract it. This fact should inform the Left's political strategy.

THE BASIC INCOME ILLUSION

ALEX GOUREVITCH
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1

Our purpose in this paper is to draw attention to an illusion that, it seems to us, has been working its way into the writings of an increasing number of intellectuals and political leaders on the Left. The illusion is that the legislative introduction of a generous universal basic income program can replace traditional forms of labor organizing, or else that its legislative introduction should be prioritized as an essential stepping stone to more effective labor politics. This attitude is held by all those who spend time studying, piloting, or simply entertaining generous basic income proposals in their writings, while showing much less interest in the timeworn tactical question of how to organize a durable majority of the working classes.

Often, this attitude is accompanied by a second, all-too-common thought: namely, that aside from being the dying remnants of a bygone era, labor unions are at bottom politically *too divisive* to fuel progress in our modern liberal age. For organized labor to become an engine of generalized progress once again, we are told, would simply require much too radical of

a social transformation at this stage. In this regard, basic income proposals are increasingly presented as possessing a major *strategic* advantage over labor's traditional wish-list items, such as the rewriting of long-eviscerated labor laws or reversing the *fait accompli* that is the global mobility of capital.

The great advantage of concentrating efforts and imagination first and foremost on the legislative introduction of a universal basic income is said to be that — in contrast to these other vehicles of social transformation formerly prioritized by the Left — a generous basic income promises to be *both* genuinely emancipatory *and* more realistic. The proposal is said to be genuinely emancipatory because it does not merely “ameliorate” relations of domination and exploitation but, much more fundamentally, affords individuals the power to “exit” from such objectionable relations altogether.¹ At the same time, a generous basic income is said to be more realistic than all comparably ambitious left-wing ideas because, aside from requiring one or two new pieces of tax-and-transfer legislation, its introduction is compatible with leaving in place most of the rest of the structure of contemporary capitalism.² In particular, there is no need for large-scale nationalization of industries, public ownership, and central planning, or any similarly disruptive interventions in the capitalist market economy. Accordingly, in the pithy words of its earliest and most important contemporary expositors, the basic income proposal promises to be a truly liberating yet fully “*capitalist* road to communism.”³

1 For the distinction between “emancipatory” and merely “ameliorative” reforms, see David Calnitsky, “Debating Basic Income,” *Catalyst* 1 (2017): 2-3: “The main reason UBI ought to be part of a left normative vision is because it facilitates exit from relations of exploitation and domination — the power of exit has ameliorative as well as emancipatory significance.”

2 “A UBI would not dramatically overhaul society. The basic institutions that make up our economic and social structure — private property, capitalist markets, etc. — would remain entirely intact. No new basic institutions would be added either: the government would collect tax revenue, which it already does, and disperse benefits, which it also already does. Compared to actual utopian ideas, a UBI is actually quite modest in what it does and does not change.” Matt Bruenig, “Is a Universal Basic Income Really Utopian?,” *Commons Dreams*, May 13, 2013, <http://www.commondreams.org/views/2013/05/13/universal-basic-income-really-utopian>.

3 Robert J. Van Der Veen and Philippe Van Parijs, “A Capitalist Road to Communism,” *Theory and Society* 15, no. 5 (1986): 635-55.

In the past, both of us have been tempted by and have separately trafficked in these thoughts. However, with the benefit of further reflection, we have become convinced that these attitudes represent a profound political and theoretical mistake. Addressing our argument broadly to fellow travelers on the Left, we shall argue that the strategy of prioritizing the legislative introduction of a generous basic income over the traditional goals of labor politics — even when the former is envisioned as a mere means to the latter — is bound to fail, for reasons that are obvious once they are laid bare.

Here, then, is the fundamental problem. Those who advocate for an emancipatory basic income policy while showing considerably less interest in the persistent dilemmas of class politics have forgotten, or failed to see, that what they are pushing for is already a form of communism. There is consequently no prospect of the hoped-for policy coming to pass until there is a working-class constituency that is organized and powerful enough to be able to extract it, in spite of the predictable resistance of superbly organized capital. The employers of labor are, after all, not about to expropriate themselves out of untold future profits out of the goodness of their hearts, much less because proponents of a generous basic income have fairness and human decency on their side.

In our view, the tendency persistently to overlook these facts owes to a certain familiar but problematic approach to normative inquiry. The problematic orientation is on display whenever theorists on the Left — rightly concerned by the many social ills we face — ask in response what sorts of policies “we” should put in place. This question makes practical sense only if author and audience together already have the social power to carry out the necessary steps. Alternatively, it assumes that every powerful actor in society is motivated to do whatever it is that we, all of us together, should. Either way, the animating presupposition of much left-wing theorizing is normally false, and certainly false when the question is whether “we” should implement a genuinely liberating basic income.

It is not the case that, by legislating a generous basic income, “we” could empower the most exploited workers among us better to resist their capitalist bosses. On the contrary, we shall argue in this essay that the

familiar story about the emancipatory potential of a generous basic income has got things almost exactly backwards. A basic income high enough to be genuinely liberating for the low-wage worker would require enormous expropriation of businesses and wealthy people. Consequently, there is no chance of its passage until there is a working class with the social and organizational power already adequate to extract it. The means to the requisite political organization, moreover, must come through labor organizing and left-wing political leadership, and not through elite-driven “entitlement reform,” precisely because only an organized working class will be able to hold elites to account and control the fate of their social policy proposals in our plutocratic times. Accordingly, when a livable basic income finally arrives, its function will not be to empower the individual worker against her *capitalist* bosses, since a livable basic income already presupposes that an organized working class has effective control over the shape and direction of the economy. Instead, the role of a livable basic income, if and when it comes, will be to limit the labor discipline that may be *democratically* imposed on all, whether by individual employee-owned workplaces or by genuinely majoritarian legislation. In short, if the idea of a liberating basic income is to have a place in an attractive political vision, we should think through not how it will renovate capitalism, but its emancipatory purpose in an already functioning institutional socialism.

2

To avoid misunderstanding, let us begin by explaining what we will *not* be arguing. The most controversial question about proposals for a basic income has long been whether it would be unfair to extend generous tax-funded income support to every last working-age adult. What of the proverbial Malibu surfer who has no intention of ever looking for paid work?⁴ Aside from observing that the modal beneficiary of a basic income would be a low-income, female, service-sector worker, we will simply not be talking

4 For the famous reference to the Malibu surfer, see John Rawls, *Justice as Fairness: A Restatement* (Cambridge: Harvard University Press, 2001), s. 53.

about the question of fairness or distributive justice in this essay. For present purposes, we are prepared to grant that in a just society, some level of income support would be made available to everyone irrespective of whether she cared to do any kind of job. Indeed, we are happy to suppose that there exists not merely a pragmatic but a fully adequate principled justification for this claim.⁵ We will also not be arguing against those who would tie basic income to the image of a wholly transformed society, characterized by true occupational freedom and leisure, in which most of the day is filled with freely chosen pursuits rather than micromanaged toil and alienation. However compelling that ultimate political ideal might be, the nature of a fully just society will simply not concern us here.

Our target in this paper is not an argument about what a fully just society would be like, but rather a certain thesis about how to get from here to there. According to that thesis, a generous basic income is not to be awaited as the happy outcome of familiar labor struggles. It is instead to be prioritized in left-wing politics going forward, as perhaps the key emancipatory strategy.

The myriad putative reasons for prioritizing basic income are by now well known. If we had a universal basic income, it would function to compensate individuals who care for others for the mountains of presently uncompensated care work. Because so many care workers today live in or close to poverty — and because poverty is, among other things, the social denial of important freedoms — a regular payment that was destined to reach all care workers would, all on its own, be seriously emancipatory.⁶ In addition, however, by affording millions of other low-income workers the real freedom to refuse to keep working for poverty-level wages under degrading, dangerous, or illegal working conditions, the introduction of a basic income would be expected to exert upward pressure on both job

5 For the distinction between principled and pragmatic justifications of basic income, see e.g., Brian Barry, “Real Freedom and Basic Income,” *Journal of Political Philosophy* 4, (1996): 242-76.

6 For hypotheses about the feminist import of this observation, see e.g., Carole Pateman, “Democratizing Citizenship: Some Advantages of a Basic Income,” *Politics & Society* 32, (2004): 89-105.

quality and remuneration throughout the entire bottom end of the labor market, while simultaneously compressing the ever more unequal income distribution.⁷ What is more, with access to additional free time ordinary people would be in a position to engage in less “obligatory consumerism,” which would liberate not only us but future generations from the effects of our present runaway per capita environmental impact.⁸ Finally, and most importantly, liberated from the discipline of an at least forty hour workweek, millions of ordinary people would have the luxury of taking a much deeper interest in progressive politics, setting up a virtuous cycle of welcome legislative changes to the deeply unfair status quo.⁹ Given these many interrelated justifications for putting a liberating basic income at the center of the Left’s political strategy, one may be forgiven for wondering: what is not to like?

The answer is that a common premise of these arguments is almost surely false — for reasons that diverse thinkers on the Left were at pains to highlight in the past, yet whose force many authors today seem less willing to face head on.¹⁰ We now turn to reconstructing and rehabilitating what ought to be familiar thoughts.

7 See e.g., Calnitsky, “Debating Basic Income,” 14-15. Responding to the charge that “the policy is nothing more than an employer subsidy,” Calnitsky correctly notes that “when workers have an exit option, a bargaining chip, wages are likely to go up rather than down.”

8 See e.g., Tony Fitzpatrick, *Freedom and Security: An Introduction to the Basic Income Debate* (London: Macmillan, 1999): 176-201.

9 For example, in the United States in the year 2014, the length of the workweek one needed to work in order to escape poverty while working for a wage at the tenth percentile of the wage distribution was: 45 hours per week for a single person, 55 hours for a single person with two children, and 61 hours for a married couple with two children. See “Working Hours to Escape Poverty,” *OECD.Stat*, Organization for Economic Co-operation and Development, <http://stats.oecd.org>. Such labor discipline presumably makes it more difficult for low-wage service sector workers to stay informed and organize politically.

10 For one extant analysis that is close to ours in spirit, see John Clarke, “Basic Income: Progressive Dreams Meet Neoliberal Realities,” the *Bullet*, no. 1350, (January 2017).

3

On close inspection, all of the familiar arguments for the emancipatory rather than the merely ameliorative potential of basic income are at bottom instances of the so-called “exit” argument for basic income. This is the idea that a generous basic income would allow people to exit from the labor market — to take care of family, to be entrepreneurial, or simply to say “no” to an abusive employer — because it would allow people to live without wage income on, at least, a bare subsistence income.¹¹ Clearly, then, such arguments require extending something approximating at least a bare subsistence income.

Now, what level of payment is required for this purpose will differ widely with geographical differences in purchasing power. We shall focus initially on the United States. As the world’s richest large industrialized country with the single leanest public sector, it is also the country presently most able to afford a universal basic income approximating bare subsistence.

Let us call the bare subsistence level in the United States \$15,000 per annum. There are numerous reasons to think that a basic income pitched at this level would not provide most people living in the United States with a genuine “exit” option from the labor market. However, we will proceed as if \$15,000 per annum is nonetheless the relevant number because, if our analysis undermines calls to prioritize congressional passage of a basic income pitched at this level, then it will apply with even greater force to proposals for strategically prioritizing the legislative introduction of basic income policies pitched at even higher levels.

Extending a universal basic income of \$15,000 per year would mean giving each person roughly \$1,300 per month to live on. For a lone individual in the United States, this amount is nowhere near enough to clear

11 As one author has recently put it, “the income demanded should be large enough to ensure that waged work would be less a necessity than a choice. An income necessary [sic] to meet basic needs would make it possible either to refuse waged work entirely, or, for the majority who would probably want the supplementary wage, to provide a better position from which to negotiate more favorable terms of employment.” Kathi Weeks, *The Problem with Work: Feminism, Marxism, Antiwork Politics, and Postwork Imaginaries* (Durham: Duke University Press, 2011):138-139.

the widely accepted poverty line of half the median household income. However, combined with the income of a domestic partner — and therefore with an adieu to claims about liberation from compulsory cohabitation and domestic relations of personal dependence¹² — \$1,300 per month is arguably enough to live on, at least in the lowest cost-of-living areas of the country. (We deal with children in a moment.)

How much would such a basic income actually cost? By simple accounting equivalency, we know that gross domestic product (GDP) is the sum of all incomes. Therefore, to extend a basic income to each person that amounts to x percent of the mean individual income, one would need, as a first cut, to raise x percent of GDP in additional tax revenue. However, the current mean individual income in the United States is just under \$58,000 per annum. Therefore, to fund a basic income of roughly \$15,000 per annum per person — or 26 percent of the mean individual income, still below the poverty line — one would have to nationalize, somehow, an additional 26 percent of GDP.¹³

The current share of all local, state, and federal government spending in the United States as a proportion of GDP is roughly 38 percent.¹⁴ Therefore, to implement the bare subsistence version of the basic income proposal would mean taking the United States economy from a position where government expenditure represents less than two-fifths of GDP to nearly two-thirds. This would be a ratio higher than present-day Finland (57 percent), higher than France (56 percent), and indeed higher than any capitalist

12 The main reasons why some feminists have thought it worth supporting basic income. See e.g., Pateman, “Democratizing Citizenship,” and Weeks, *The Problem with Work*.

13 An equivalent way of calculating the revenue needed is to multiply \$15,000 per annum by the total number of recipients and then divide by GDP. According to the United States Census, the US population was 324 million at the end of 2016. Fourth quarter GDP that year was \$18.75 trillion. Therefore, as a first cut, paying out a universal basic income of \$15,000 per annum to each person would have required raising and paying out an amount equivalent to 26 percent of GDP.

14 Except where otherwise noted, the figures cited in this section are drawn from OECD country statistics, available online at <https://data.oecd.org/government.htm>.

industrialized society has ever had.¹⁵ It would put the government share of GDP well above even the US “wartime socialism” levels of 1944-1945.¹⁶ It’s not clear what such an economy would look like in peacetime. And this is only for a bare subsistence income. In our view, these observations already cast doubt on the idea that there is a “capitalist road to communism.” Before we draw our more precise conclusions, however, it is worth reflecting on three important caveats.

I. The matter of cost savings

First, with a basic income, one could eliminate some existing welfare transfers. However, existing welfare spending in the United States, excluding spending on health, represents a comparatively small fraction of GDP, on the order of 10 percent. Moreover, of this amount, true social-welfare expenditures — such as unemployment insurance, income assistance, and subsidized housing — amount to less than 4 percent of GDP combined. The other 6 percent represents mostly contributory old age pensions.

These low levels of social spending are precisely why the public sector in the United States represents only about two-fifths of total output, and why there is so much more room for raising government expenditure in the United States than in any other comparably wealthy industrialized

15 Except for one: the United Kingdom, briefly at the height of the world wars, from 1916-18 and again from 1943-45. In advanced industrial capitalist economies, the highest sustained recorded level of peacetime government expenditure as a share of GDP took place in Sweden in the two decades from 1980 until 2000. Total tax revenue during this period averaged around 55 percent of GDP. (Adding an additional 20 percentage points to this ratio would bring it to Cuba’s share of government spending in GDP, which is very roughly 75 percent). See Thomas Piketty, *Capital in the Twenty-First Century* (Cambridge: Harvard University Press): 474-79.

16 Esteban Ortiz-Ospina and Max Roser, “Public Spending,” *Our World In Data* <https://ourworldindata.org/public-spending>, drawing on the data set for Paolo Mauro, Rafael Romeu, Ariel Binder, and Asad Zaman, “A Modern History of Fiscal Prudence and Profligacy,” *Journal of Monetary Economics* 76, (2015): 55-70. It should be noted that US wartime socialism was also wartime austerity, with large parts of the working class seeing restrictions or even reductions in their consumption levels, in addition to legal constraints on labor militancy: while businesses were required to be unionized if they wished to receive war-economy federal contracts, unions were browbeaten into signing no-strike pledges and wage freezes in exchange.

country. At the same time, the figures just cited should make it clear that much of the already lean public sector in the United States must *not* be eliminated. On the contrary, infrastructure, social services, schools, and clinics desperately need greatly increased funding, not to mention research into clean energy and climate change.

More to the point, one cannot give with one hand while taking back an equal amount with the other *if* the purpose of introducing a basic income is fundamentally to alter the status quo and give workers a genuine exit option that they never really had before. This aspiration, after all, is what distinguishes left-wing or emancipatory from right-wing or conservative arguments for basic income. The latter are focused not at all on freeing low-paid workers from draconian labor market discipline, but merely on making today's clumsy welfare state spending more efficient.¹⁷ Accordingly, if to help pay for a basic income of \$1,300 per month, one were to eliminate whatever spending keeps down the net monthly cost of the most affordable subsidized housing (for example), then, for the same reason, the introduction of the basic income would not produce a genuine exit option for the minimum-wage worker; from her point of view, it would merely make existing government transfers more direct and less paternalistic.¹⁸

The general point is that if one wants to fund a basic income as a means of liberating ordinary workers, one cannot do so by eliminating programs that are, in any case, vital for this purpose. In the United States, this imperative precludes cutting back much of the existing, already lean social welfare spending. And no matter where else one looks — whether in plausible cuts to military expenditures (4.5 percent of GDP) or the elimination of tax breaks

17 Or even on *reducing* the total value of all social entitlements, and thereby *increasing* the average worker's dependence on the labor market for survival. In this regard, recall Mark Zuckerberg's remark that basic income is in line with "conservative principles of smaller government." Alex Heath, "Mark Zuckerberg thinks universal basic income is a 'bipartisan idea' worth exploring," *Business Insider* July 5, 2017, <http://www.businessinsider.com/mark-zuckerberg-calls-universal-basic-income-a-bipartisan-idea-2017-7>.

18 To be sure, dialing down the moralism characteristic of contemporary welfare institutions would be an important victory. Yet a shift to work-unconditional cash benefits could not be plausibly described as "liberating" if, in order to pay for it, other welfare programs were cut that vulnerable people continued to depend on.

for homeowners (0.4 percent of GDP) — all of the possible savings combined will not add up to anywhere near a quarter of gross domestic product.

Accordingly, the real question to be asked is whether there are any major savings to be had by explicitly altering the universality of the (so-called) universal basic income, first and foremost by excluding dependent children and elderly people. The answer to this question depends on the purpose of implementing such a transfer program. If the purpose is to liberate ordinary workers from oppressive labor market discipline, rather than to make our tightfisted social spending somewhat more efficient and less paternalistic, then there will be no massive savings to be had by cutting payments to children and elderly people.

Consider children first. Adults with children have higher expenses and therefore require a higher monthly income than the average single person if they are to meet their own basic needs and the basic needs of their dependents. Even if a child's most basic needs for food, clothing, shelter, education, and medicine can be met with only *half* of the amount that is necessary to meet the basic needs of an adult — so that each child can safely be provided with only \$7,500 per annum instead of \$15,000 — the cost reduction would still be minimal, amounting to savings of less than 3 percent of GDP.¹⁹ But note that reducing the basic income payment even a penny further for children would almost certainly undermine the aim of extending a real exit option for the average low-paid worker. In truth, if dependent children were eligible for at most \$7,500 per annum, then it seems clear that only people without children would enjoy a real exit option from the labor market. For these reasons, if the purpose of extending a basic income is to liberate workers from capitalist labor discipline, there are no major savings to be had from drastically reducing payments to minor children.

What about generating cost savings by cutting off retirees and elderly people? The problem is that millions of elderly people live in poverty and

19 According to the Census, there were 73.7 million children under 18 living in the United States in 2016. A reduction of the basic income from \$15,000 per annum to \$7,500 per annum for everyone in this group represents a savings equivalent to 2.95 percent of GDP.

continue to have work for low wages for survival.²⁰ Therefore, regardless of whether the elderly are formally disqualified from the basic income or their Social Security income is replaced dollar-for-dollar, cutting off elderly people would again mean abandoning the aim of providing every able adult person with a genuine ability to exit the labor market. And even if elderly people were to be *entirely* disregarded, the maximum cost savings generated would be only slightly more extensive than cutting in half the payments going to children, for the simple reason that there are some 40 percent fewer elderly people than there are children.²¹

In short, to fund a genuinely liberating basic income of \$15,000 per annum — assuming that were enough for this purpose²² — the United States Treasury would need to raise entirely new tax revenues amounting to likely a quarter of total annual output, and almost certainly no less than 20 percent; the vast bulk of this revenue could *not* come from cost savings generated by massively cutting existing federal, state, and local government spending.

II. The question of capital flight and investment strike

This brings us to our second caveat. Our oversimplified observations assume that there would be zero negative effects on GDP from the requisite massive increase in taxes. If there were a substantial drop in GDP — because of, say, extensive capital flight or investment strike — then financing a \$15,000 per person annual basic income would cost proportionately more than a quarter of total output. Anyone who claims it would cost much less is claiming, in effect, that enabling millions of people *not* to work would substantially grow

20 The poverty rate among the elderly is 10 percent, or 4.6 million people, even on the unconscionably low official US poverty line. The poverty rate for elderly woman is double the rate for elderly men.

21 That is to say: a savings, at most, of 3.7 percent of GDP.

22 It is worth mentioning that we ourselves do not endorse this assumption. The assumption seems reasonable only as long as one steers clear of the various literatures bearing on the nature and significance of poverty. However, our argument in this essay does not require questioning the assumption that \$1,300 per month is enough for a person to “satisfy her basic needs” and to “escape poverty,” and so, for the sake of argument, we pass over this assumption without further comment.

our existing capitalist economy. There are no strong reasons, theoretical or empirical, to support this speculative conclusion.

III. The potential for taxing capital assets

Finally, it's true that a basic income payment can be funded without drawing on revenues from ongoing income taxation. The Alaska Permanent Fund has been paying out oil dividends for decades, and the contribution of the Norwegian sovereign wealth fund to public coffers is even bigger. Why not, then, set up a sovereign wealth fund and use it to finance a livable basic income out of investment returns on the capital? The answer is that it is simply impossible. A bare subsistence income in the United States would require the government to cut people checks summing, annually, to roughly a quarter of GDP. The annual GDP of the United States is roughly \$18.75 trillion. If the long-run real return to capital is assumed to be 4-5 per cent per annum (a standard long-run estimate), this means that one would need around \$100 trillion to capitalize the sovereign wealth fund. However, \$100 trillion is approximately the sum of all real and financial assets held in the United States today. Therefore, if we forsake ongoing income taxation and go the sovereign wealth fund route, nationalizing all housing and financial wealth in the United States would not be enough to finance a basic income of even merely \$1,300 per month per head. After all, the rest of the government's budget would still need to be paid for somehow, and yet there would be no private capital assets — and hence also no capitalist economic activity — left over to serve as a tax base.

4

These observations are, we believe, already enough to reveal the main strategic miscalculation at the core of the familiar realistic-cum-emancipatory approach to basic income criticized in this essay. According to this approach, progressives should concentrate their efforts not so much on organizing, unifying, and radicalizing ordinary workers, but on finding broad political

consensus on a legislative policy issue. The implicit assumption is that advocates of a truly generous basic income will eventually be able to find common ground with the business class and its political representatives because, allegedly, the legislative introduction of a livable basic income is in everyone's long-run interest: to do better for everyone, we could leave the entire capitalist apparatus more or less in place, and simply provide every worker with a regular cash payment that is enough to live on.

In a word, this assumption strikes us as deeply implausible. Why would the business class agree to such an enormous shift in their share of total national income? How are progressive leaders and thinkers to find common ground with *them* on this issue? After all, a subsistence-level basic income is straightforwardly a form of communism, extended to cover roughly a quarter of total annual output: were the government unconditionally obliged to send everyone a check for \$1,300 a month, then, to the tune of roughly a quarter of GDP, everyone would be entitled to the exact same purchasing power no matter what anyone did.²³

At the same time, the cost of this entitlement clearly could not be financed by raising taxes on the bottom half of workers: the bottom half owns less than 1 percent of US wealth, and their combined wage share is less than 6 percent of GDP.²⁴ What is more, the wages of the next best-earning 30 percent of workers together amount to only about 22 percent of GDP. Thus, unless we wish to eliminate all state and local governments, the federal government, education, and all other public services, the pretax wages of the bottom 80 percent of the population are, as it were, already spoken for.

In short, there is simply no way to finance anything close to a liberating

23 In truth, were a livable basic income policy ever introduced, then equal incomes would account for a much larger share of GDP, given the value of all of the tax-funded “in-kind” services and goods that would also continue to be available to everyone on roughly equal terms (national defense, road infrastructure, environmental protection, primary education, certain forms of basic research, etc.).

24 For the income and wealth statistics, see Edward N. Wolff, *A Century of Wealth in America* (Cambridge: Harvard University Press, 2017): 48, 55-57, Congressional Budget Office, “Trends in the Distribution of Household Income Between 1979 and 2007,” CBO Publication no. 4031 (October 2011), and Congressional Budget Office, “Trends in Household Family Wealth, 1989-2013,” CBO Publication no. 51846 (August 2016). To compute the total wage share of each income group as a proportion of GDP, we take

subsistence-level basic income without taxing the business profits and salary incomes of people in the top 20 percent of the income distribution. Indeed, given that the revenue needed for this policy approaches a quarter of total annual output, the tax increases on the wealthiest 20 percent would have to be enormous.

Now, it is true that the net cost of the policy to the wealthiest 20 percent would be considerably less than the gross dollar value of the hundreds of millions of checks sent out by the government each month.²⁵ This is because, even though the wealthiest 20 percent would inevitably have to pay for the entirety of the basic income payments sent to lower-income beneficiaries, everyone belonging to the wealthiest 20 percent would equally be entitled to the monthly basic income payment. In this way, 20 percent of the gross monthly cost of a universal basic income program would be returned to the wealthiest 20 percent each month, thereby reducing the net cost of the program, to them, by an equivalent amount. Moreover, a basic income payment of \$1,300 per month could be designed not to increase the incomes of, say, the next wealthiest 30 percent minus one, simply by raising taxes on this group by an exactly offsetting amount.²⁶ In that case, the net cost of a subsistence-level basic income policy to the wealthiest 20 percent would fall to roughly half of the gross dollar value of all monthly basic income payments made, or approximately 10-13 percent of GDP.

Nonetheless, it should be clear that even this smaller net cost to the

labor's total share of national income (58.4 percent in the third quarter of 2016), and multiply it by each income group's share of the annual sum of all labor incomes. Labor incomes are household incomes adjusted to exclude income from property, which makes up roughly a quarter of the annual household incomes of the best-paid twenty percent of American households. For up-to-date historical data on labor's total share of national income, see Michael Giandrea and Shawn Sprague, "Estimating the U.S. Labor Share," *Monthly Labor Review*, US Bureau of Labor Statistics (February 2017), <https://doi.org/10.21916/mlr.2017.7>.

25 For an extended discussion of this point, see Karl Widerquist, "The Cost of Basic Income: Back-of-the-Envelope Calculations," *Basic Income Studies* (Dec 2017) <https://doi.org/10.1515/bis-2017-0016>. We thank Liz Fouksman for helpful comments and for pressing us to clarify our position on this issue.

26 It is worth noting, however, that with any such more concentrated redistributive design, one should expect substantial opposition not only from the wealthy but also from people squarely in the middle and upper-middle of the income distribution.

affluent would represent an enormous downward redistributive transfer. For, even in the context of the highly unequal United States, the combined annual salaries of the best-paid 20 percent of employees add up to only roughly 29 percent of GDP. Thus, a basic income program with a net cost, to them, of 10-13 percent of GDP would require the best-paid 20 percent of employees to give up somewhere between an additional one-third to nearly one-half of their existing pretax salary incomes. Realistically, then, a subsistence-level basic income could not be funded through new tax increases on their salary incomes alone. Instead, massive new tax increases on *both* the salary incomes *and* the capital gains of the wealthiest 20 percent would be needed to fund anything remotely resembling a livable universal basic income program.

Using analyses far more sophisticated than ours, other commentators have suggested that a livable basic income should be seen as economically infeasible for the foreseeable future. We would like to make clear that this is not our contention in this essay. For our purposes, we are happy to assume that massive tax increases on the highest labor incomes would not produce *any* offsetting negative effects on the tax yield. Indeed, we are happy to assume that very large increases in corporate and capital taxation would occasion *no* significant capital flight, perhaps because effective capital and investment controls could be implemented in the very same legislation putting in place a livable basic income.²⁷ Even under these assumptions, there remains the question of why the business class would ever agree to expropriate itself. After all, a genuinely liberating subsistence-level basic

27 Three decades ago, Erik Olin Wright expressed skepticism about a capitalist road to communism for this reason. He noted that if ever the owners of capital were made to face confiscatory levels of redistributive taxation, the continued operation of a private property economy going forward would require implementing not only a) strict controls on the ability of capital to relocate to lesser taxed shores, but, in addition, b) enforceable requirements on private owners to continue to invest productive resources at prior rates rather than consume. In other words, the continued operation of a private property economy with a generous basic income would require the capital and investment controls characteristic of state socialism. We agree with Erik Olin Wright on this point but wish to note that a far more basic question has been widely overlooked: why on earth would the business class sign up for confiscatory taxes in the first place? Alternatively, who is going to “make” them face such taxes if a generous basic income

income is at bottom just a massive redistributive program, larger than anything that has ever been attempted, and ultimately to be paid for out of existing and potential business profits. What reason is there to think that, once its many virtues are made clear, the business class will be prepared to get on board with this idea?

5

In fact, a rather different response is predictable. If the basic income proposal ever really gets going — by which we mean, outside of proposals for geographically circumscribed and therefore comparatively inexpensive pilot projects — the world’s biggest employers and their owners can be expected to use every means of resistance at their disposal. There are numerous reasons to expect a less than supportive response.

For one, the wealthy as a group already oppose even modest forms of downward redistribution.²⁸ For example, fewer than half of wealthy Americans (43 percent) endorse the view that government should see to it that no one is without food, clothing, or shelter, even when the support in question is fully means-tested and work-conditional. Moreover, according to a supermajority (60 percent) of the wealthy, it is not the case that the minimum wage should be raised to ensure that no family with a full-time worker falls below the (already stingy) official US poverty line. Clearly, these political attitudes do not bode well. However, there is even more direct evidence that the wealthy will not support anything like a livable basic income. Less than a quarter of wealthy Americans (23 percent) believe that the government should provide a decent standard of living for the unemployed, while nearly 90 percent oppose raising the Earned Income Tax Credit — even though this policy functions simply as a wage subsidy to employers operating at the bottom end of the highly stratified US labor

is envisioned a means to class politics and not its happy outcome? For Olin Wright’s analysis, see Erik Olin Wright, “Why Something Like Socialism Is Necessary For The Transition To Something Like Communism,” *Theory & Society* 15, (1986): 657-72.

28 Benjamin I. Page, Larry M. Bartels, and Jason Seawright, “Democracy and the Policy Preferences of Wealthy Americans,” *Perspectives on Politics* 11, no. 1 (2013): 57.

market.²⁹ At the same time, a huge majority (81 percent) of the wealthy are opposed to the state pursuing a policy of full employment, while practically everyone among the rich (92 percent) thinks that the state itself should never act as the employer of last resort. On every one of these telling policy questions, then, the wealthy are already overwhelmingly opposed to greater downward re- and pre-distribution. There is no reason to expect this to change once they are told precisely how much *more* costly it would be to fund a subsistence-level basic income through massive new taxes on their labor incomes and business profits.

On the contrary, if the livable basic income idea ever truly gets going, we can expect opposition from the business class to harden long before there is scholarly consensus on the policy's fully allocated price tag. To the above empirical reasons for this prediction as based on opinion surveys, let us now add a basic strategic reason. Not being stupid, big businesses and their wealthy owners will easily anticipate the very same emancipatory aspects of basic income that its proponents count in its favor. But in light of their strong personal and financial interests, we can expect them to draw exactly the opposite political conclusion.

To see this, consider the long-standing opposition of business to a policy of full employment. As the economist Michal Kalecki long ago pointed out, it should at first glance be puzzling why profit-seeking businesses normally do not support a policy of full employment.³⁰ “Clearly, higher output and employment benefit not only workers but entrepreneurs as well, because the latter’s profits rise. And the policy of full employment [need] not encroach upon profits because it [need] not involve any additional taxation. The entrepreneurs in the slump are longing for a boom; why do they not gladly accept the synthetic boom which the government

29 For reasons David Calnitsky makes clear: “it is an employer subsidy because it is an income transfer that is conditional on work and therefore increases labor supply, which pulls wages down.” Calnitsky, “Debating Basic Income,” 15, citing Austin Nichols and Jesse Rothstein, “The Earned Income Tax Credit (EITC),” no. w21211 (National Bureau of Economic Research, 2015) <https://www.nber.org/chapters/c13484>.

30 Michal Kalecki, “Political Aspects of Full Employment,” *Political Quarterly* (1943), reprinted in Michal Kalecki, *Selected Essays on the Dynamics of the Capitalist Economy 1933-1970* (Cambridge: Cambridge University Press, 1971).

is able to offer them?” Kalecki’s answer had three parts.

First, when the level of unemployment depends on the state of investor confidence, this gives businesses and investors extensive power over economic policy: “everything which may shake the state of confidence must be carefully avoided because it would cause an economic crisis.” Yet once the government learns the trick of alleviating unemployment through direct public investment, “this powerful controlling device loses its effectiveness.” Second, a government policy of subsidizing mass consumption is normally even “more violently opposed than public investment. For here a moral principle of the highest importance is at stake... ‘You shall earn your bread in sweat’— unless you happen to have private means.” Finally, even if the opposition to temporary Keynesianism and active industrial policy were entirely overcome, “the *maintenance* of full employment would cause social and political changes which would give a new impetus to the opposition of the business leaders.” Why? Because “under a regime of permanent full employment, the ‘sack’ would cease to play its role as a disciplinary measure.” Accordingly, “[t]he social position of the boss would be undermined, and the self-assurance and class-consciousness of the working class would grow.” To be sure, “profits would be higher under a regime of full employment than they are on the average under *laissez-faire*; and even the rise in wage rates resulting from the stronger bargaining power of the workers is less likely to reduce profits than to increase prices, and thus adversely affects only the rentier interests. But ‘discipline in the factories’ and ‘political stability’ are more appreciated than profits by business leaders.”

There is abundant evidence that big businesses today continue to think exactly this way, not only about the appropriateness of public investment and costly programs for subsidizing mass consumption, but also about the appropriate structure of corporate governance and the critical importance of maintaining the threat of the sack. If this is their view, however, then they have all the more reason to respond with massive opposition and resistance to any credible effort to implement a livable basic income. For compared to a policy of mere full employment, the legislative introduction of a livable basic income would magnify each of the stated effects immensely — above

all by curtailing the disciplinary power of the sack. Indeed, as David Calnitsky notes, the central economic and political implications of generous basic income have long been understood.

It is sometimes suggested that a UBI could operate as an inexhaustible strike fund; indeed, the National Association of Manufacturers (NAM) was the *first* to recognize this in their Congressional testimony on Nixon's Family Assistance Plan.... In Congressional hearings the NAM insisted that they would support the plan only 'if the basic allowance is a realistic minimum, and the earnings disregard provides a true incentive to work and advancement and the work requirement is strong.' Finally, they expressed concern about the link between the guaranteed income and labor upheaval: 'We suggest that anyone directly involved in a labor dispute should be ineligible for benefits.'³¹

We are now in a position to state the preliminary upshot of our discussion. Because a livable basic income would be a truly massive redistributive program, ultimately to be paid for out of existing and potential business profits, it will come only when there is a working class organized and powerful enough to be able to extract it, in spite of the inevitable fierce opposition of the owners of capital. Consequently, efforts to secure broad consensus on the virtues of legislating a livable basic income cannot plausibly be prioritized over what is needed to organize the working class as a political force and reinvigorate the labor movement. The alternative strategy at bottom reduces to the hope that the business class will eventually agree to expropriate themselves out of the goodness of their hearts.

6

Does this final criticism miss the mark? Surely, no one really thinks that the business class will one day happily expropriate themselves. Instead, the wisdom of focusing strategic efforts on the passage through Congress

31 Calnitsky, "Debating Basic Income," p. 18 (emphasis ours).

of a generous basic income presumably rests on the simple fact that, at the end of the day, we live in a democracy. Accordingly, the support of only a substantial majority of voters is necessary to pass the requisite tax-and-transfer legislation, not the unanimous support of large businesses and wealthy people.

We believe this objection is wrong, and tellingly so. Indeed, the ease with which it rolls off the tongue shows just how little knowledge of the Left's true strategic and political predicament is built into the conventional political wisdom. For one thing, it is simply false that political institutions in the United States are mostly responsive to the policy preferences of the average voter. To be sure, majorities of ordinary people do get what they profess to want a considerable proportion of the time. However, ordinary people normally get what they want only when their stated policy preferences coincide with the wishes of organized business groups and wealthy people: there is little indication that a majority of citizens is actually in charge. On the contrary, once the policy preferences of wealthy people and organized business groups are controlled for, "the preferences of the average American appear to have only a minuscule, near-zero, statistically non-significant impact upon public policy."³² Moreover, this lack of responsiveness is not simply because, on most substantive issues, ordinary people have little political knowledge and practically no well-formed policy preferences to begin with.³³ Rather, the deeper problem is that there are profound social and

32 Martin Gilens and Benjamin I. Page, "Testing Theories of American Politics: Elites, Interest Groups, and Average Citizens," *Perspectives on Politics* 12 (2014): 575: "By directly pitting the predictions of ideal-type theories against each other within a single statistical model (using a unique data set that includes imperfect but useful measures of the key independent variables for nearly two thousand policy issues), we have been able to produce some striking findings. One is the nearly total failure of "median voter" and other Majoritarian Electoral Democracy theories. When the preferences of economic elites and the stands of organized interest groups are controlled for, the preferences of the average American appear to have only a minuscule, near-zero, statistically non-significant impact upon public policy." See also Martin Gilens, *Affluence and Influence: Economic Inequality and Political Power in America* (New York: Princeton University Press, 2012).

33 For a brief but helpful summary of sixty years of empirical research on voter knowledge (by authors who, in our view, ultimately mistake the symptoms for the disease),

legal obstacles to *both* the political education of the working class *and* its properly informed collective action.

Consider first the main avenue of collective action in a democracy. The truth is that the United States has no hint of a nationally viable working-class party. While members of the Democratic Party will inevitably protest, it should be clear from decades of neoliberal experience that this particular organization simply does not pass the test. A *real* working-class party has a) a political program, b) which is approved by a broad and representative cross section of its membership in advance, and c) is organized enough to hold its elected representatives to account when they fail actively to pursue the party program. The Democratic Party has none of these things. It has long been a fundraising outfit for liberal political entrepreneurs, some of whom may be well-meaning, but most of whom are more or less easily captured rent-seekers: like their Republican colleagues, most congressional Democrats end up working for large corporations and lobbying firms soon after they leave office.

And yet in the United States, any new effort to build a third major political party is guaranteed to face extreme levels of legal repression. It is not simply that fielding genuinely left-wing, third-party candidates risks “splitting the vote” for a time; these types of problems have been solved by the Left in many other countries in the past. Instead, as Seth Ackerman has recently underscored, with respect to elections the United States really is different.

The Council of Europe, the pan-European intergovernmental body, maintains a “Code of Good Practice in Electoral Matters,” which catalogs electoral practices that contravene international standards. Such violations often read like a manual of US election procedure. In 2006, the council condemned the Republic of Belarus for violating the provision of the code proscribing signature requirements larger than 1 percent of a district’s voters, a level the council regards as extremely high; in 2014, Illinois required more than triple that number for House

see Christopher H. Achen and Larry M. Bartels, *Democracy for Realists* (Princeton: Princeton University Press, 2016), Ch. 2.

candidacies. In 2004, the council rebuked Azerbaijan for its rule forbidding voters from signing nomination petitions for candidates from more than one party; California and many other states do essentially the same thing. In fact, some US electoral procedures are unknown outside of dictatorships: “Unlike other established democracies, the USA permits one set of standards of ballot access for established ‘major’ parties and a different set for all other parties.” That America’s election system is uniquely repressive is common knowledge among experts. “Nowhere is the concern [about governing-party repression] greater than in the United States, as partisan influence is possible at all stages of the electoral contest,” concludes a recent survey of comparative election law.³⁴

In short, we live not in a democracy but in a constitutional electoral oligarchy in which the two incumbent parties effectively control access to the ballot. We on the Left will have to come to grips with this reality, in full view of the US Constitution’s famous status quo bias.³⁵ Yet this is ultimately still only *half* of the political and strategic problem. For the principal means of building the social basis of a working-class party as defined above — that is to say, a party whose politically conscious and informed membership selects its leadership, rather than the other way around — has *also* been radically curtailed, by large businesses working together with the state. What we have in mind is the extraordinary repression of labor unions and their right to strike.

A real working-class party cannot be composed of well-meaning college kids and volunteers. Instead, it must be based where most people are forced to spend most of their waking adult lives, and where the money for organizing is: namely, in the workplace. Working people, busy with their jobs and endless workweeks, are likely to become adequately informed about how one 700-page bill after another affects their fundamental interests — not

34 Seth Ackerman, “A Blueprint for a New Party,” *Jacobin*, no. 23 (Fall 2016).

35 By which we mean not only the various anti-majoritarian *institutions* established by the Constitution — the Electoral College, bicameralism, substantive judicial review, and federalism — but also the anti-majoritarian *practices* that are not specifically mentioned in the Constitution but have long been enabled by it — gerrymandering, voter suppression, and so on.

to mention which way the wind is blowing for “their” elected representatives — only if the actions of their representatives are actively monitored and interpreted by colleagues they know, trust, and have selected and empowered for this very purpose. In other words, in a large country, where individual voter ignorance is all too rational, a real working-class party must have a federated structure — and one that extends upwards from whatever is the twenty-first-century equivalent of the shop floor.

However, because the United States has one of the most spectacularly violent and most repressive labor histories of any of its wealthy peers in the industrialized world,³⁶ the labor movement — and therefore also the consciousness of most workers that their economic and political interests are rather different from those of business — is presently weaker than it has been in probably a hundred and fifty years. In our view, this is the ultimate social and political obstacle to even modestly transformative legislation, not to mention the communism that is entailed by the idea of a livable universal basic income. Owing to a long series of crushing losses for the labor movement, the pendulum over the last half century has swung very far in the direction of empowering large corporations and their wealthy owners. It is not simply that billionaires have grasped the legislature and bought up many important parts of the news media. More fundamentally, ordinary workers’ consciousness of their shared class interests and of their future potential as a unified political force is weaker than it has been in a very long time.

The legislative passage through Congress of a livable basic income policy cannot plausibly be seen as a realistic means to reversing this fact. On the contrary, for the reasons given, it will have to be more or less exactly the other way around. The working class will first have to be rebuilt as a conscious political force from the ground up: perhaps not quite one authoritarian workplace at a time, but almost certainly without the benefit

36 For some of this sordid history, see Josiah Bartlett Lambert, “If the Workers Took a Notion”: The Right to Strike and American Political Development (Ithaca: Cornell University Press, 2005); Ahmed White, “Industrial Terrorism And the Unmaking of New Deal Labor Law.” *Nevada Law Journal* 11, (2011): 561-628; Alex Gourevitch, “Police Work: The Centrality of Labor Repression in American Political History,” *Perspectives on Politics* 73, (2015): 762-773.

of meaningful labor law reform. The only silver lining to this dark cloud is that fundamental labor law reform historically follows rather than precedes years of creative organizing against all odds, disciplined civil disobedience, and impressive displays of social power in the form of illegal strikes.³⁷ In a word, the sort of political consciousness that is necessary for transformative legislation does not normally come by way of gift from our elected representatives, much less from those who pay for their elections.

7

In our view, the persistent tendency to overlook these facts proceeds from a certain problematic approach to normative political inquiry. On the one hand, many authors, both inside and outside academia, have come to recognize the need for more “realism” in political theory. On the other hand, interventions by progressive authors on a host of topics, from the looming threat of automation to what should be done about inequality, are at bottom meditations on a single question: in order to address the underlying problem, what policies should “we” put in place? Yet, as the phrasing indicates, this question implicitly assumes that together author and audience already have the social power to carry out whatever are the necessary steps. Alternatively, it assumes that every powerful actor in society is motivated to do whatever it is that we, all of us together, should. Either way, the presupposition is often false.

It is certainly false when the question is whether “we” should implement a genuinely liberating basic income. To be sure, recently even billionaires

37 James Gray Pope, “Worker Lawmaking, Sit-Down Strikes, and the Shaping of American Industrial Relations,” *Law and History Review* 24, (2006): 45-113; James Gray Pope, “The Thirteenth Amendment versus the Commerce Clause,” *Columbia Law Review* 102, (2002); James Gray Pope, Ed Bruno, Peter Kellman, “Right to Strike,” *Boston Review*, May 22, 2017, <http://bostonreview.net/forum/james-gray-pope-ed-bruno-peter-kellman-right-strike>; Alex Gourevitch, “Response to The Right to Strike,” *Boston Review*, May 22, 2017, <http://bostonreview.net/forum/right-strike/alex-gourevitch-gourevitch-responds-pope>; Joe Burns, “Labor Law Won’t Save Us,” *Jacobin*, January 27, 2015, <https://www.jacobinmag.com/2015/01/unions-civil-right-strike-joe-burns/>; Joe Burns, *Reviving the Strike*, (New York: Ig Publishing, 2011).

have been paying lip service to the idea that some version of the policy could make existing social spending more efficient, labor markets more flexible, and so on. As we have stressed, however, implementing any version that could plausibly be called liberating for the average worker would require permanent and unprecedented expropriation of businesses and wealthy people. However meticulous the case for a policy that has this consequence, it should be clear that the business class will not willingly agree to expropriate itself.

Nor, however, is it true that we, all of us together *minus* the moneyed interests, already have the social power to override their inevitable resistance. On the contrary, while the United States is formally a democracy, political institutions and the parties who run them are generally not responsive to the policy preferences of the average voter. Indeed, more than any other contemporary democracy, the United States famously represses the only two realistic vehicles of countervailing working-class economic and social power on a national level: a third national political party dedicated to advancing the interests of the large majority of working people, and a labor movement that is organized enough to select and discipline its party leaders rather than vice versa.

To overcome these obstacles, we believe that much more is needed than consensus on the entitlement reforms that we, the theorists and professors, should try to recommend to perennially co-opted politicians. Instead, the most basic tasks are, first, to build a new working-class consciousness and, second, to develop organized capacity for large-scale, sustained, and commerce-interrupting collective action. To be sure, even these tasks must somehow be accomplished against the resistance of a billionaire-controlled news apparatus, spectacularly repressive labor laws, and incumbent-penned electoral rules. However, neither of these tasks, it strikes us, is quite as hopeless as the strategy of recommending the legislative introduction of a truly liberating basic income and expecting the businesses who pay for the electoral campaigns of politicians to stand idly by while their future profits are effectively eliminated.

Accordingly, if the idea of a truly liberating basic income has any place in a realistic political vision, its role cannot be to empower workers better to resist their capitalist bosses. On the contrary, we have argued that this familiar story has got things almost exactly backwards. A basic income high enough to provide workers with a genuine ability to exit the labor market would require expropriating today's employers out of vast amounts of present and future potential business profits. Hence it should be understood that there is no chance of its passage until there is a working class with the social and political power already adequate to extract it.

The means to the requisite working-class political organization, we have argued, will have to come through new and creative ways of labor organizing, and not through elite-driven entitlement reforms. The fundamental reason is that only a sufficiently organized working class will be able to hold elites to account and to control the fate of their social policy proposals in our plutocratic times. Accordingly, when a livable basic income finally arrives, its function will not be to empower the individual worker against her capitalist bosses, since a livable basic income already presupposes an organized working class that has effective control over the shape of the economy. Instead, if and when it comes, a livable basic income will play the role of limiting the labor discipline that may be democratically imposed on all, whether by individual postcapitalist workplaces or by genuinely majoritarian legislation. If the idea of a liberating basic income is to have a place in an attractive political vision, then, we should think through, not how it will renovate *capitalism*, but its emancipatory purpose in an already functioning institutional *socialism*. ✎

The abortive coup of July 2016 in Turkey was only the latest episode in an intra-elite political conflict. While Turkey was one of the strongholds of the secular left in the developing world, an Islamist ruling party and the marginalization of the traditional left today define Turkish politics. This essay suggests that this development is based on a peculiar blend of marketization and economic inclusion, which I describe as “neoliberal populism.” Its main political consequence has been the atomization of the working class, while it intensifies the conflicts within ruling circles. The result is that politics in the region has become dominated by intra-elite conflicts, displacing the traditional, interclass axis of struggle.

THE TURKISH QUAGMIRE

ÜMIT AKÇAY

Over the past five years, Turkey has been in a state of unceasing turmoil. It has witnessed a mass uprising at Istanbul's Taksim Gezi Park in 2013, a local election of March 2014, a presidential election in August 2014, two general elections in June and November 2015, a failed coup attempt in July 2016, the declaration of a state of emergency in that same month, and finally, the April 16, 2017 referendum which consolidated the rule of President Recep Tayyip Erdoğan.

These events signaled nothing less than a crisis of the so-called "Turkish model," in place since Erdoğan's tenure began in the early 2000s and once acclaimed by the Western media as a successful harmonization of moderate Islam with neoliberal policies.¹ How this model descended into

1 Editorial, "A Turkish Success Story," *New York Times*, January 24, 2004, accessed March 22, 2017, www.nytimes.com/2004/01/28/opinion/a-turkish-success-story.html; "Under the leadership of Prime Minister Recep Tayyip Erdoğan, an Islamic politician who favors democratic pluralism, it has enacted far-reaching reforms that are intended to meet the exacting admission criteria of the European Union"; Sabrina Tavernise and Michael Slackman, "Turkey Goes From Pliable Ally to Thorn for U.S.," *New York Times*, June 8, 2010, accessed March 14, 2017, www.nytimes.com/2010/06/09/world/middleeast/09turkey.html; "Turkey is now a vibrant, competitive democracy with an

crisis, and how Erdoğan managed to consolidate power, thereby salvaging his rule for the time being, is a puzzle for not only for the Turkish left, but for progressives more generally. Only a few years ago it seemed that his particular blend of Islam and neoliberalism was on the verge of imploding. The mass protest at Gezi Park in Istanbul threatened to topple the ruling Justice and Development Party (the AKP), and with it, Erdoğan himself. It further appeared to revitalize a moribund left. However, this revitalization of the Left failed to materialize, popular forces soon lost steam, and the locus of opposition shifted from the streets to factions within the state. The threat to Erdoğan's power came not in the form of ongoing mass politics, but from power grabs by factions of the political elite in the form of a coup attempt. This, too, failed, and in the wake of the coup attempt in the summer of 2016 Erdoğan has not only survived all challenges, but has marginalized any apparent opposition, both within the state and without.

In this paper, I present an analysis of the structure of politics under Erdoğan's AKP. I propose that the key to the AKP's success in remaining in power for the last sixteen years is the particular variant of the neoliberal economic policy it has followed, which atomizes the working class while also securing its partial consent through a limited welfare regime. This model, which following other analysts I refer to as "neoliberal populism," has managed to mute interclass conflicts as Erdoğan intended. But it did so while exacerbating the conflict between interest groups within the ruling elite. Put another way, the main political dilemma of the AKP's neoliberal populism is that, rather than eliminating political conflict, it has merely shifted its locus upward, from the workplace and neighborhoods to the upper echelons of the political class. Thus power struggles have taken the form of intra-elite conflict, most pointedly in an attempted coup — rather than class struggle. Explaining how this came about, and how Erdoğan overcame the threat to his power, is the focus of this essay.

economy that would rank as the sixth largest in Europe"; Editorial, "Is Turkey Turning its Back on the West?," the *Economist*, October 21, 2010, accessed March 26, 2017, <http://www.economist.com/node/17309065>: "In short, Turkey is heading in a good direction. It remains a shining (and rare) example in the Muslim world of a vibrant democracy with the rule of law and a thriving free-market economy."

NEOLIBERAL TRANSFORMATION BY DICTATORSHIP

The military coup d'état of September 12, 1980, and the rule by the military that continued until 1983, was a turning point in both the political and economic history of Turkey. Dealing a crushing blow to the Left, it also inaugurated a change in national economic strategy, away from the import substitution industrialization (ISI) policy that had been in place since the 1960s to a strategy based on exports. The latter was embedded in a larger turn toward a market-based neoliberalism pushed through by the new military regime. This included liberalization of trade and interest rates, privatization of State Economic Enterprises (SEES), and the cutting of agricultural subsidiaries. Another crucial component of the new neoliberal policies was the 1989 liberalization of the capital account, which allowed free capital inflows and outflows. Along with these steps, the Turkish economy was integrated into the international financial system, and thus became open to speculative attacks from international finance capital.² The International Monetary Fund (IMF) and World Bank actively supported this program with standby agreements and structural adjustment packages.³

One of the chief goals of this neoliberal turn was the enfeeblement of labor, which, despite the regime's efforts, was not entirely effective.⁴ Labor managed to strike back toward the end of the 1980s, and even made economic gains, as evidenced by a recovery in real wages in the early 1990s.⁵ While the 1980s was the decade of the Motherland Party's (ANAP)

2 Korkut Boratav and Erinc Yeldan, "Turkey, 1980–2000: Financial Liberalization, Macroeconomic (In)Stability, and Patterns of Distribution," in *External Liberalization in Asia, Post-Socialist Europe, and Brazil*, ed. Lance Taylor, (Oxford New York: Oxford University Press, 2006), 417–455.

3 Irvin Cemil Schick and Ertugrul Ahmet Tonak, "The Political Economy of Quicksand: International Finance and the Foreign Debt Dimension of Turkey's Economic Crisis," *Critical Sociology* 10 (1981): 59–79.

4 Korkut Boratav, "The Turkish Bourgeoisie under Neoliberalism," *Research and Policy on Turkey* 1, (2016): 1–10, 3.

5 Mustafa G. Dogan, "When Neoliberalism Confronts the Moral Economy of Workers: The Final Spring of Turkish Labor Unions," *European Journal of Turkish Studies*,

hegemony, the 1990s turned out to be the decade of coalition governments — governments which were still largely committed to a neoliberal agenda, though now less able to push it through. The result was a decade of chronic political instability.⁶ In the course of the 1990s Turkey witnessed the formation of no fewer than ten coalition governments, each trying to square the neoliberal agenda with the continuing demands for redistribution, and none were able to succeed. The state was thus caught in what I describe as a “structural adjustment dilemma,” in which one cabinet after another fell under the combined weight of pressure from above calling for full marketization and the stubborn persistence of popular pressure from below demanding a more inclusive economic agenda.

2001 CRISIS AS A GAME CHANGER

The 2001 economic crisis, one of the most severe that Turkey has ever experienced, proved to be a watershed in breaking the impasse of the 1990s. In the post-crisis period, a new economic program emerged to enable a sustainable neoliberalism in line with the post-Washington Consensus framework.⁷ The key to this new policy framework was the promulgation of a series of measures that managed to politically neutralize the working class, not by military means, but through political and economic atomization. These measures enabled the new regime, led by Erdoğan and the fledgling AKP, to achieve the political stability that had eluded the governments of the preceding decade. Turkey could now push ahead with the IMF-backed economic restructuring that it had attempted in the 1990s but only partially succeeded in implementing. Erdoğan engineered a variant of neoliberal governance that differed somewhat from the more authoritarian versions pioneered by South American

[Online] II, (2010), accessed April 24, 2017, <http://ejts.revues.org/4321>.

6 Ümit Cizre-Sakallıoğlu and Erinç Yeldan, “Politics, Society and Financial Liberalization,” *Development and Change* 31, (2000): 481-508.

7 Ziya Öniş and Fikret Şenses, “Rethinking the Emerging Post-Washington Consensus,” *Development and Change*, 36/2, (2005): 263-290.

dictatorships of the 1970s. While he pushed through market reforms much as the South American regimes had, he did so without wholesale political repression or the restriction of political rights. In fact, as I will show below, the state complemented its privatization drive with a partial welfarism, which amounted to a series of measures designed to blunt the force of liberalization by providing income supports and easier credit to poor households. This policy model thus constituted a kind of neoliberal populism.⁸ As a result, in the 2000s the Turkish state was more successful in achieving its goal of taming the labor movement.

Erdoğan's effort to modulate his economic liberalism was not simply motivated by a concern about labor's potential disruptive power. He also had to take note of the influence still wielded by traditional Kemalist forces within the state, and of their base of support in the secular Turkish business community. For more than four decades, these had been the core of a political bloc that had upheld the import-led development model advocated by a secularist political establishment. The first opening toward the old establishment's displacement came on the electoral front, as the economic crisis witnessed the formation of the fledgling AKP, which emerged from the political Islamist tradition in Turkey. The AKP rose to power in 2002 under Erdoğan's leadership, and in so doing, weakened the Kemalist forces within the state. The changing power balance within the state was complemented by the AKP's cultivation of a new base of support in the business community. As a political Islamist party, the AKP initially had close ties with the Independent Industrialists' and Businessmen's Association (MUSIAD), the business association that had an Islamic orientation. But soon

8 For similar cases in Latin America and Asia see: Kenneth M. Roberts, "Neoliberalism and the Transformation of Populism in Latin America: The Peruvian Case," *World Politics* 48/1, (1995): 82-116, 92; Robert R. Barr, "The Persistence of Neopopulism in Peru? From Fujimori to Toledo," *Third World Quarterly* 24/6, (2003): 1161-1178; Robert R. Barr, "Populists, Outsiders and Anti-Establishment Politics," *Party Politics* 15/1, (2009): 29-48; Renato Cruz De Castro, "The 1997 Asian Financial Crisis and the Revival of Populism/Neo-Populism in 21st Century Philippine Politics," *Asian Survey* 47/6, (2007): 930-951; Kanishka Jayasuriya and Kevin Hewison, "The Antipolitics of Good Governance," *Critical Asian Studies* 36/4, (2004): 571-590, 574; Kurt Weyland, "Neopopulism and Neoliberalism in Latin America: Unexpected Affinities," *Studies in Comparative International Development* 31/3, (1996): 3-31.

after achieving power, Erdoğan established a new alliance with the more traditional association of Turkish big business, the Turkish Industry and Business Association (TUSIAD), which had previously anchored the Kemalist forces.⁹ The motivation behind this new alliance was a joint commitment to a more thorough liberalizing agenda.

Erdoğan came to power with a two-pronged power strategy to bring Turkey out of the impasse of the 1990s. First, he pushed for Turkey's accession to the European Union. This was part of a strategy designed to subordinate the military to civilian — i.e., Erdoğan's — authority. Erdoğan's insistence on EU membership was a brilliant maneuver that further reduced the influence of the Kemalists while also securing a victory in the court of public opinion by presenting Erdoğan as a champion of democracy. As Isabel David observes, "Reforms aiming at complying with the Copenhagen criteria directly targeted the very heart of Kemalist power (namely the military, the judiciary, the Constitution/legal system and the Presidency) and were instrumental in securing the AKP's supremacy."¹⁰ What is more, EU reforms committed Turkey to guidelines for a rule-based technocratic structure, and for changing civilian-military relations to the advantage of the former.¹¹ The icing on the cake was that the apparently democratizing reforms also secured the support of liberal and left-liberal elites within Turkey, thus further stabilizing the AKP's base of support.¹²

The second pillar of Erdoğan's strategy was a push further in the direction of economic liberalization. For this, the adjustment program

9 Ümit Akçay, *Para, Banka, Devlet: Merkez Bankası Bağımsızlaşmasının Ekonomi Politikası*, [Money, Bank, State: The Political Economy of the Independence of Central Bank] (Istanbul, SAV Press, 2009), 261.

10 Isabel David, "Strategic Democratisation? A Guide to Understanding AKP in Power," *Journal of Contemporary European Studies* 24/4, (2016): 478-493, 482.

11 İsmet Akça and Evren Balta-Paker, "Beyond Military Tutelage? Turkish Military Politics and the AKP Government" in *Debating Security in Turkey. Challenges and Changes in the Twenty-First Century*, ed. Ebru Canan-Sokullu (New York: Lexington Books, 2009), 77-92.

12 William Hale and Ergun Özbudun, *Islamism, Democracy and Liberalism in Turkey* (London and New York: Routledge, 2010); Metin Heper, "The European Union, the Turkish Military and Democracy," *South European Society and Politics* 10/1, (2005): 33-44.

recommended by the IMF provided both a blueprint and political cover. The blueprint came in the form of the IMF's stand-by arrangement, the Transition to a Strong Economy, which formed the backbone of the AKP's economic policies.¹³ Erdoğan sought to follow the monetarist template of freeing the central bank from political control; in the words of Kemal Derviş, former vice president of the World Bank, who was invited to Turkey to take ministerial seat after the 2001 crisis, "Politics has highly interfered with economics in Turkey. We must separate economics and politics... The process of the exploitation of economics by politics should be stopped".¹⁴

But more important was the fact that Erdoğan could rely on the IMF in a variety of ways — he could present his liberalizing policy as something forced upon him by the crisis and the IMF's insistence in return for access to emergency assistance; and he could draw upon their cadre of technocrats for their expertise and advice in the ongoing liberalizing process. This new alliance between the AKP and international technocracy was also instrumental for Erdoğan in his struggle with the old establishment in Turkey.

The 2001 crisis, the AKP's electoral victory, Turkey's membership negotiations with the EU, and Erdoğan's cultivation of TUSIAD combined to turn the balance of power away from the traditional Kemalist elite and toward the new constellation around the AKP. But this new constellation should not be viewed as a political revolution. The old forces were down but not out. They had built up a power base within and outside of the state apparatus over the course of several decades and still wielded considerable influence. Nevertheless, the combination of the post-crisis conjuncture and Erdoğan's maneuvering gave him enough leverage to push through a series of neoliberal reforms which had hitherto been impossible to achieve. In that sense, the 2001 crisis was a game changer. It changed the parameters of the "structural adjustment dilemma," which had created constant economic and political instability in the 1990s.

13 Republic of Turkey, Prime Ministry, Undersecretariat of Treasury, *Transition of the Strong Economy*, April 15, 2001, accessed May 17, 2017..

14 Kemal Derviş, "'Siyasetle Ekonomiye Mutlaka Birbirinden Ayırmalıyız [We Should Absolutely Separate Economics and Politics]," *Milliyet Newspaper*, April 23, 2001, accessed May 5, 2017, www.milliyet.com.tr/2001/04/22/son/soneko06.html.

THE AKP'S NEOLIBERALISM

Erdoğan's adroit political maneuvers provided him the opening needed to push through the economic liberalization sought by Turkish big capital. At the core of new wave of economic liberalization were three kinds of policies typical of economic orthodoxy — tight monetary policy, now made possible by the newly independent Central Bank; the liberalization of labor markets; and the privatization of state enterprises. This was complemented by a regime of stringent fiscal austerity, which successfully reduced Turkish public debt from 76.1 of GDP to 28.2 percent between 2001 and 2017.¹⁵

Labor reforms and the new monetary policy went hand in hand. As part of the neoliberal economic program of the AKP, the central bank inflation targeting system, which formed the monetary framework for a low-wage policy, was implemented alongside a new labor regime after 2003. One of the main features of the New Labor Act Number 4857 of 2003 was the legalization of flexible and part-time work, and subcontracting implementations.¹⁶ In this way, working conditions have changed according to the requirements of international competitiveness and the demands of the big bourgeoisie of Turkey. With these new regulations, the working class's potential organizational foundations were weakened by enforcing market discipline on class members.

A central consequence of the new labor regime was that, in addition to weakening the existing working-class organizations, it also raised the barriers to forming new ones.¹⁷ This was the most crucial determinant for the formation of the neoliberal populist regime. According to OECD

15 Republic of Turkey, Prime Ministry, Undersecretariat of Treasury, *General Government Debt Stock Statistics Defined By European Union*, accessed December 25, 2017, <https://www.treasury.gov.tr/public-finance-statistics>.

16 Ali Murat Özdemir and Gamze Yücesan Özdemir, "Labour Law Reform in Turkey in the 2000s: The Devil is not Just in the Detail But Also in the Legal Texts," *Economic and Industrial Democracy* 27, (2006): 311-331.

17 Aziz Çelik, "Turkey's New Labour Regime under the Justice and Development Party in the First Decade of the Twenty-First Century: Authoritarian Flexibilization," *Middle Eastern Studies* 51/4, (2015): 618-635.

data, trade union density in Turkey decreased from 29.1 percent in 2001 to 6.3 percent in 2015,¹⁸ an indicator of the AKP's successful drive against labor. Further, under the inflation targeting system, wage increases were effectively limited by the central bank's inflation target. Therefore, in terms of the management of labor, two important results of the neoliberal reforms were precarious work conditions and stagnant real wages.¹⁹

The privatizations fit into the AKP's agenda of overcoming the old establishment. As Bedirhanoglu and Yalman point out, "In accordance with the neoliberal understanding of the state, it is pretended that the state's tutelage over society will be eroded as the hold of the state over the economy will be diminished through the policies of privatization."²⁰ As a typical component of Washington Consensus policies, privatization not only aimed to reduce the public debt, but also to liquidate SEES. And as Graph 1 illustrates, the AKP has achieved an unprecedented level of privatization throughout the Turkish economy.

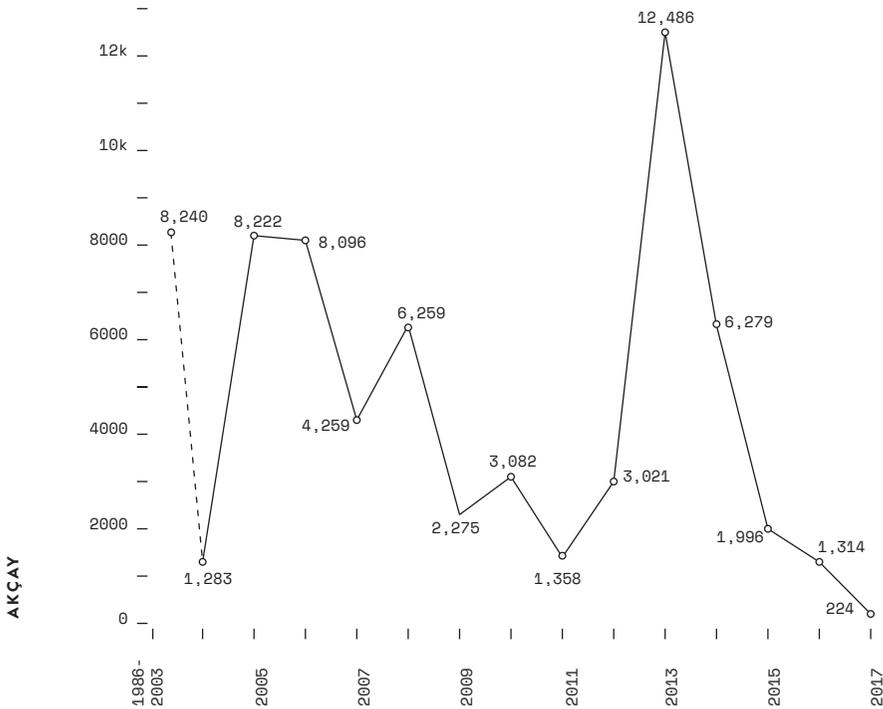
As intended, because the SEES had been a stronghold of the labor movement, their privatization facilitated the weakening of organized labor. Moreover, products and services produced by the SEES at lower prices became more expensive due to the re-commodification of goods and services. Both developments negatively affected the working conditions of a large majority of workers. On the one hand, privatization of the SEES liquidated the most organized and militant parts of the trade unions. On the other hand, commodification of public goods and services, which were produced by the SEES prior to privatization, created an extra burden on household budgets.

18 OECD, *Employment Outlook 2017*, accessed June 22, 2017, www.keepeek.com/Digital-Asset-Management/oced/employment/oced-employment-outlook-2017_empl_outlook-2017-en#page15.

19 Pinar Bedirhanoglu et. al. "Comparative Perspective on Financial System in the EU, Country Report on Turkey," *Financialization, Economy, Society and Sustainable Development (FESSUD)*, (2013): 364, accessed May 17, 2017, <http://fessud.eu/>.

20 Pinar Bedirhanoglu and Galip Yalman, "Neoliberal transformation in Turkey: State, class and discourse" in *Economic Transitions to Neoliberalism in Middle-Income Countries Policy Dilemmas, Crises, Mass Resistance*, ed. Alfredo Saad-Filho and Galip Yalman (London: Routledge, 2010): 107-127, 121.

GRAPH 1: PRIVATIZATION REVENUE IN TURKEY (1986 - 2017)



Source: Privatization Administration of Turkey, accessed June 22, 2017, <http://www.oib.gov.tr/>.

THE POPULIST CUSHION

While the measures described above weakened organized labor, its power did not dissolve overnight. The decline in union density was steady, but it unfolded over the course of fifteen years and labor was not willing to go down without a fight. Before and during the 2001 crisis, there were massive demonstrations involving craftsmen and shopkeepers. Moreover, memories of an intervention by the military into the civilian political realm, which pushed the coalition government to resign in 1997, were still fresh

in the minds of the AKP's leadership.²¹ To dramatically worsen workers' economic condition in this situation would only increase the likelihood of a convergence of opposition forces, thus undermining all the political gains Erdoğan had made. Hence, a traditional neoliberal policy mix, as typically witnessed in the IMF's economic restructuring measures, was deemed unwise. Neoliberal orthodoxy was thus modulated by a series of measures designed to further atomize the working class and tie its members to the regime's economic agenda.

The Expansion of Welfare

The measures to soften the blow of austerity and privatization involved two basic streams of policies, one consisting of redistributive welfare measures and the other aimed at facilitating the entry of working-class households into financial markets. Under the previous welfare regime, workers in the informal and agricultural sectors were excluded from state-provided health, insurance, and retirement benefits. The benefits were confined mainly to workers in the formal industrial sector and to civil servants.²² The AKP pushed through measures that widened the net to cover those sections of the working class that been hitherto excluded. There were three components to this new welfare regime.

First, health-related benefits distributed through the so-called Green Card system were significantly expanded. Originally established in 1992, the system was directed toward those sections of the population that were not covered by social security. Under the AKP, coverage was increased so that it would now cover all health-related services, and those eligible for its benefits increased from the initial 1.7 million in 1995 to 10 million in 2010.²³ Erdem Yörük argues that distribution of Green Cards also has a

21 Ümit Cizre and Menderes Çınar, "Turkey 2002: Kemalism, Islamism and Politics in the Light of the February 28 Process," *The South Atlantic Quarterly* 102/2-3, (2003): 309-332.

22 Ayşe Buğra and Ayşen Candaş, "Change and Continuity under an Eclectic Social Security Regime: The Case of Turkey," *Middle Eastern Studies* 47/3, (2011): 518.

23 Simten Coşar and Metin Yeğenoğlu, "The Neoliberal Restructuring of Turkey's

political aspect, in that “Social assistance programs in Turkey are directed disproportionately to the Kurdish minority and to the Kurdish region of Turkey, especially to the internally displaced Kurds in urban and metropolitan areas.”²⁴ According to Yörük, Kurds were especially favored not because they were poor, but because they were poor and politicized. In other words, “The Turkish government uses social assistance to contain the Kurdish unrest in Turkey.”²⁵ While the Green Card system was wound down in 2012, cardholders were transferred to the General Health Insurance system, also provided by the state, and continued to receive comparable health care.

The second element in the welfare measures was also related to health care: the General Health Insurance System, which replaced the previous hierarchical, three-legged health insurance system for workers, civil servants, and the self-employed. The new system not only equalized the previously existing hierarchical classification system, but also aimed to cover all citizens. Once Green Card holders were transferred to the General Health Insurance System in 2012, the aim of universal coverage was achieved.

The third of the welfare measures passed by the AKP was the Conditional Cash Transfers (CCTs) program, which was also endorsed by the World Bank. As Özden and Bekmen describe it, “The programme includes the provision of monetary subsidies to targeted households living in extreme poverty, provided that they ensure their children attend school and participate in periodic health-related activities. By 2011, it was reaching approximately 10 million people per year.”²⁶ This measure was carefully designed to deepen

Social Security System,” *Monthly Review* 60/11, (2009), accessed March 22, 2017, <https://monthlyreview.org/2009/04/01/the-neoliberal-restructuring-of-turkeys-social-security-system/>.

24 Erdem Yörük, “Welfare Provision as Political Containment: The Politics of Social Assistance and the Kurdish Conflict in Turkey,” *Politics & Society* 40/4, (2012): 517-547, 517.

25 Yörük, “Welfare Provision as Political Containment,” 517.

26 Barış Alp Özden and Ahmet Bekmen, “Rebelling against Neoliberal Populist Regimes” in *Everywhere Taksim: Sowing the Seeds for a New Turkey at Gezi*, ed. Isabel

the AKP's electoral support among the poor.²⁷ Whereas most such programs in neoliberal regimes are means-tested and administered through transparent guidelines, this program was handed over to the General Directorate of Social Solidarity, a state institution responsive to the Prime Minister's office, which was given wide discretionary power over the allocation of cash transfers.²⁸ Hence, as a recent study concluded, "there is no systematic mechanism of means-testing," leaving decisions to the judgment, and hence the patronage, of the concerned officials.²⁹

These initiatives were welfarist in orientation, but with a significant neoliberal twist. They blunted the force of the market reforms, to be sure, but in a manner that kept them within the larger philosophy of the new regime. As Umut Bozkurt observed, the measures were designed to offer relief to the poorest sectors while simultaneously eroding the idea that social support was a social obligation — welfare was to be seen as a privilege, not a right.³⁰ In tandem with the Green Card system, the CCTs program and health reform, reforms to the education system, and social services of local governments³¹ and other philanthropic-religious social assistance networks were also complementary features of the new welfare regime.

David and Kumru Toktamis (Amsterdam: University of Amsterdam Press, 2009): 89-104, 93.

27 S. Erdem Aytaç, "Distributive Politics in a Multiparty System: The Conditional Cash Transfer Program in Turkey," *Comparative Political Studies* 47/9, (2014): 1211-1237, 1219; Ali Çarkoğlu and Selim Erdem Aytaç "Who Gets Targeted for Vote-Buying? Evidence from an Augmented List Experiment in Turkey," *European Political Science Review* 7/4, (2015): 547-566.

28 Mine Eder, "Retreating State? Political Economy of Welfare Regime Change in Turkey," *Middle East Law and Governance* 2, (2010): 152-184, 182.

29 Buğra and Candaş, "Change and Continuity," 522.

30 Umut Bozkurt, "Neoliberalism with a Human Face: Making Sense of the Justice and Development Party's Neoliberal Populism in Turkey," *Science & Society* 77/3, (2013): 372-396, 384; Barış Alp Özden, "The Transformation of Social Welfare and Politics in Turkey: a Successful Convergence of Neoliberalism and Populism" in *Turkey Re-framed: Constituting Neoliberal Hegemony*, ed. İsmet Akça, Ahmet Bekmen and Barış Alp Özden (London: Pluto Press, 2014): 168.

31 Deniz Yıldırım, "AKP ve Neoliberal Popülizm" in *AKP Kitabı: Bir Dönüşümün Bilançosu*, Ed. İlhan Uzgel and Bülent Duru (Ankara: Phoenix Yayınevi, 2009): 66-107.

Financial Inclusion

The second component of the new welfare regime was its incorporation of labor into the deepening financialization of the Turkish economy. The growth of the financial sector had come about in two distinct phases in Turkey. The first occurred in the 1990s, during which the state loosened the reigns on capital mobility. While this is a generic feature of neoliberalism, one of the consequences in Turkey was a high and growing level of public debt, which eventually led to the 2001 crisis.³² The second phase came after the crisis, and was characterized by the growth of household indebtedness, a new phenomenon in Turkey, despite the fact that the household debt to disposable income ratio is still lower than in most of the mature capitalist countries.³³ What made the turn to a debt-based consumption model especially attractive was that it had an immediate political as well as economic impact. It created a floor for aggregate demand by placing money in the hands of working-class households, while also further atomizing the working class by sucking its members more deeply into financial circuits.

Financial inclusion mechanisms are various, and among the most important is the development of household debt.³⁴ During the AKP term, household debt as a percentage of GDP has increased dramatically from 1.8 percent in 2002 to 19.6 percent in 2013. In other words, there has been more than a tenfold increase in ten years.³⁵ Behind this rapidly rising household indebtedness was a drastic decline in working-class incomes, a predictable result of the attack on unions and wages.

32 Ebru Voyvoda and Erinċ Yeldan, “Managing Turkish Debt: An OLG investigation of the IMF’s Fiscal Programming Model for Turkey,” *Journal of Policy Modeling* 27/6, (2005): 743-765.

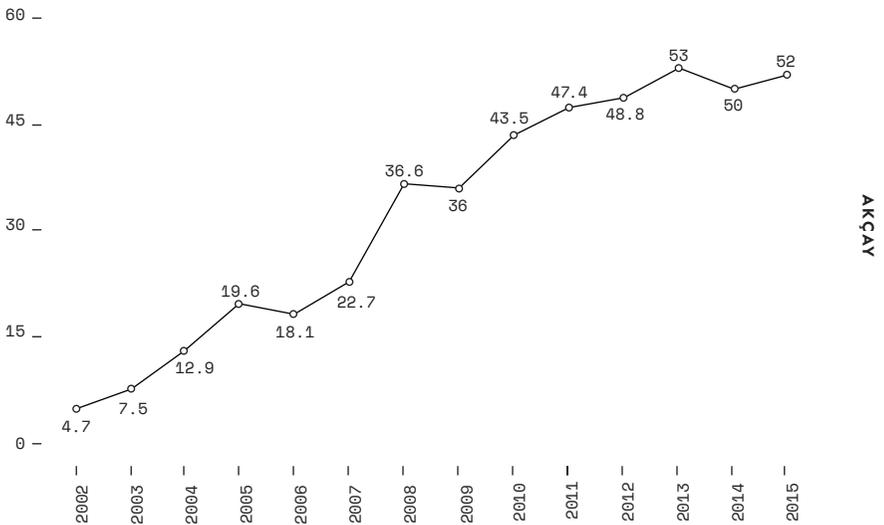
33 Elif Karaçimen, “Financialization in Turkey: The Case of Consumer Debt,” *Journal of Balkan and Near Eastern Studies* 16/2, (2016): 161-180.

34 Yiğit Karahanoğulları, “Neo-liberal Popülizm: 2002-2010 Kamu Maliyesi, Finans, Dış Ticaret Dengesi ve Siyaset,” [Neo-liberal Populism: Public Finance, Finance, Foreign Trade Balance, and Politics] *Toplum ve Bilim* 123, (2012): 116-145.

35 Bank for International Settlements, “BIS Quarterly Review,” accessed June 8, 2017: https://www.bis.org/publ/qtrpdf/r_qtr1609.htm.

Between 1990 and 2012, the share of wages in national income declined by more than 15 percent, a catastrophic fall by historic and global standards.³⁶ The extension of new credit and lending facilities to poor households was a kind of “privatized Keynesianism,” a means to achieve wage reduction while preventing a corresponding decline in consumption.³⁷ As Graph 2 illustrates, the ratio of household debt to disposable income has increased more than tenfold under AKP governments.

GRAPH 2: HOUSEHOLD DEBT TO DISPOSABLE INCOME IN TURKEY (2002-2015)



Source: Ali Rıza Güngen, “Financial Inclusion and Policy-Making: Strategy, Campaigns and Microcredit a la Turca,” *New Political Economy*, (2017): 10, <http://www.tandfonline.com/doi/full/10.1080/13563467.2017.1349091>.

36 OECD, *The Labour Share in G20 Economies*, 2015, accessed March 14, 2017: <https://www.oecd.org/g20/topics/employment-and-social-policy/The-Labour-Share-in-G20-Economies.pdf>.

37 Colin Crouch, “Privatised Keynesianism: An Unacknowledged Policy Regime,” *The British Journal of Politics and International Relations* 11, (2009): 382-399.

Furthermore, financial inclusion targeted the poorest segments of the society. The number of indebted persons whose monthly income is between 0 and 1000 Turkish Lira (equal to approximately 0–275 US dollars) increased ten times between 2001 and 2013, and the number of poor and indebted households totaled 4 million people in 2013.³⁸ Thus, the mechanism of financial inclusion has been functional for Erdoğan's power strategy in different ways. Integrating the poor into the market system has been both an economic tool that has made workers more dependent on the market, and a political tool that has created an increasing demand for political stability.

THE CHANGING STRUCTURE OF POLITICAL CONFLICT

Since financial tools like consumer loans and credit cards became popular as a part of the new policy structure in the post-2001 crisis period, the measures to extend financialization to working-class households represent an entirely new development in Turkish political economy. When combined with the welfare policies described above, they served to cushion the impact of the market reforms while also broadening the electoral base of the AKP. This combination of policies turned out to be a political success for Erdoğan, because it enabled his regime to neutralize one of the most difficult dilemmas for any developing country embarking on an export-led development model: namely, how to slow down wage growth in order to maintain the competitiveness of the country's products in foreign markets. An attack on working-class incomes is more manageable in authoritarian settings, but in the early 2000s the AKP had positioned itself as a champion of an emerging Turkish democracy. Wage suppression in a democracy risks the danger of electoral backlash and hence political instability, precisely the problem that had bedeviled the country in the

38 Prepared by the author based on the data of The Banks Association of Turkey, accessed June 22, 2017, <https://www.tbb.org.tr/en/banks-and-banking-sector-information/statistical-reports/20>.

1990s. But Erdoğan's brand of neoliberal populism seemed to achieve both of the goals that he pursued — the deepening of economic reforms and political stability.

The construction of this neoliberal populist regime had one other, perhaps unintended, effect: it shifted the axis of political conflict from a horizontal one, between capital and labor, to a vertical one, between different segments of the ruling elite. This started with the privatization campaign, which initiated a long decline in the organizational strength of the working class. The second component of the industrial relations regime, making work “flexible,” triggered a shift to precarious employment, and to smaller production units relying on informal labor. As the industrial base of the economy restructured into a tiny number of large establishments on the one hand, and an ocean of small and middling ones on the other, it changed the logic of labor organizing. This precarious work structure raised the cost of organizing for trade unions in the emergent smaller firms, and induced the unions to confine their organizing drives to larger manufacturing establishments and the public sector, both bastions of more secure, formalized labor contracts. This necessarily meant that the vast bulk of the labor force would remain unorganized, and thus left to fend for itself politically and economically. Of course, this also meant that organized labor, such as it is, was driven to the point of becoming politically passive. But the financial measures and an assiduous drive to extend patronage networks into working-class neighborhoods reinforced labor's neutralization by tying individual households into the system — both by their indebtedness and by the clientelistic ties that the AKP was fashioning on the ground. The goal of this was, as Bedirhanoğlu and Yalman have suggested, “putting an end to class-based politics.”³⁹

Under these circumstances, social tensions and political conflict changed their locus and became concentrated within the upper echelons of society. These conflicts within the elite are what have shaped politics from the early 2000s onward. As we shall see below, the restriction of the

39 Bedirhanoğlu and Yalman, “Neoliberal transformation in Turkey,” 109.

political game to these narrow circles is the most conspicuous aspect of politics in Turkey over the past decade and a half.

THE BATTLE WITHIN THE STATE

Challenges to the AKP have come in two phases, each driven by different conflicts within the political elite. The first phase witnessed an attempt at power by the Kemalist forces, who had been displaced but (as I have argued above) by no means extinguished. While the Kemalists did pose a threat to Erdoğan, he not only emerged unscathed, but further marginalized the traditional elite as well.

The second phase started after 2012, when a slowdown in economic growth unleashed a new series of conflicts — this time inside the very core of the AKP's support base. The first round of the battle within the state, therefore, took place between the old Kemalist establishment and the new Islamist political elite. The second round, however, occurred within the new political establishment, between the AKP and the Gülenists, which ended with the failed coup attempt in 2016. The failed coup in turn facilitated the transformation of the regime into the executive presidential system established in 2017.

AKÇAY

THE FIRST ROUND: BETWEEN “OLD” AND “NEW” TURKEY

The year 2007 was a turning point regarding the power balance within the state, for it marked the death knell of the remaining Kemalist forces. Weakened and marginalized by Erdoğan after 2001, they made their most ambitious for political power. But it turned into their last gasp. The offensive was triggered by the debate over the prospective new president, which occurred when Ahmet Necdet Sezer, who was seen as the representative of the Kemalist elite by the AKP, finished his presidential term. The AKP wanted to nominate its own candidate for the presidency, while the old Kemalist establishment put forward its own man. A series of assassinations

took place in the first six months of the 2007. An influential Turkish-Armenian journalist, Hrant Dink, who was a part of the radical left tradition in Turkey, was assassinated on January 19, 2007.⁴⁰ Then the Zirve Publishing House in Malatya, a publisher of books on Christianity, was attacked, with three employees murdered in April 2007.⁴¹ The government claimed that these assassinations might have been organized by the “deep state” — a reference to the old guard — whose aim was to overthrow the legitimate government by creating an atmosphere of chaos.

Second, General Yaşar Büyükanıt, the chief of the general staff, expressed the Turkish Armed Forces’ (TAF) opposition to the AKP’s presidential candidate, Abdullah Gül, with an e-memorandum posted on the general staff’s website. The e-memorandum stated that “The problem that emerged in the presidential election process is focused on arguments over secularism. Turkish Armed Forces are concerned about the recent situation. It should not be forgotten that the Turkish Armed Forces are a party in those arguments, and absolute defender of secularism.”⁴² However, the military bureaucracy’s attempt to prevent Gül’s presidency was repelled by the AKP.⁴³

Third, pro-secular mass demonstrations took place during this first round of the battle within the state. Leading Kemalist associations (e.g., Atatürkçü Düşünce Derneği) organized a series of large rallies, called Republican Meetings, just after the general staff’s e-memorandum appeared.⁴⁴ Kemalists argued that the election of a political Islamist as president would seriously undermine the foundations of the secular republic, and tried to prevent it from happening.

40 BBC, “Turkish-Armenian Writer Shot Dead,” January 17, 2007, accessed March 9, 2017, <http://news.bbc.co.uk/2/hi/europe/6279241.stm>.

41 Nick Birch, “Three Murdered at Turkish Bible Publishing House,” the *Guardian*, April 19, 2007, accessed April 28, 2017, <https://www.theguardian.com/world/2007/apr/19/turkey.international>.

42 BBC, “Excerpts of Turkish Army Statement,” April 28, 2007, accessed May 14, 2017, <http://news.bbc.co.uk/2/hi/europe/6602775.stm>.

43 Umit Cizre and Joshua Walker, “Conceiving the New Turkey after Ergenekon,” *The International Spectator: Italian Journal of International Affairs* 45/1, (2010): 89-98.

44 BBC, “Huge Rally for Turkish Secularism,” April 29, 2007, accessed May 14, 2017, <http://news.bbc.co.uk/2/hi/europe/6604643.stm>.

Erdoğan and the AKP responded with a combined electoral and social strategy. First, Erdoğan called for snap elections and won a clear victory, increasing the AKP's vote from 34.3 percent in 2002 to 46.6 percent in 2007. Then he capitalized on his momentum by also calling for a referendum on changing the presidential election process.⁴⁵ The referendum results revealed support for the AKP, with a 69 percent "yes" vote in favor of reforming the presidential election process. During both the general election and the referendum campaigns, the AKP managed to turn the secularists' attacks into materials for its populist propaganda. The party had adroitly employed the classical populist argument of "elites versus people" in its first term by claiming that secular elites had only been able to sustain their power through political patronage. The AKP continued this populist strategy during the presidential election, claiming that the Kemalist elites attempted to prevent the true representatives of people, the AKP, from governing by threatening the incumbent party with a new military intervention. In the end, the AKP's presidential candidate Abdullah Gül became the eleventh president of the Republic of Turkey, signifying a clear victory of the AKP in the first round of the battle within the state.

But this development was just that, the first round of the showdown with the Kemalists, though it ended with a decisive victory for Erdoğan. The final round came in 2009, when the Chief prosecutor filed a closure case against the AKP based on the accusation that the AKP "had become a focal point of anti-secular activities."⁴⁶ The Constitutional Court was regarded as the guardian of the Kemalist republic. Many anti-establishment parties, such as the Kurdish, political Islamist, and socialist parties had previously been excluded from the political scene by the Court's decisions. Therefore the Court, with its Kemalist tendencies, made a final move against the AKP. However, even though six of the eleven judges voted in favor of the closure, the required majority of seven was not reached and the gambit failed. As

45 Dinç Şahin, "A Symptomatic Analysis of the Justice and Development Party's Populism in Turkey, 2007–2010," *Government and Opposition* 47/4, (2012): 618-640.

46 Ergun Özbudun, "Turkey's Constitutional Reform and the 2010 Constitutional Referendum," *Mediterranean Politics* (2011): 193, accessed May 18, 2017, www.iemed.org/observatori-en/arees-danalisi/arxius-adjunts/anuari/med.2011/Ozbudun_en.pdf.

a result, the final attempt of the Kemalist establishment failed as well. In the wake of this victory, the AKP now moved to expunge the Constitutional Court of the Kemalists once and for all.⁴⁷ With a 58 percent “yes” vote for constitutional amendments that allowed the government to appoint new judges to the Constitutional Court and other high judiciary posts, the judicial system was no longer a Kemalist stronghold.

CHALLENGES FOR ERDOĞAN’S POWER STRATEGY

The AKP’s brand of neoliberalism has depended on the continuation of Turkey’s strong economic growth. During Erdoğan’s first term, from 2002 to 2007, the economy remained relatively strong, which continued under AKP governments until 2012, despite being impacted by the effects of the global financial crisis of 2008–2009. In the post-2012 period, though, there has been a slowdown, with the economic growth rate decreasing to an average of 3.4 percent between 2012 and 2016.⁴⁸

Stagnant economic performance began to threaten the sustainability of the social and financial inclusion mechanisms, which were the main factors that had brought about political stability. More importantly, economic slowdown diminished the AKP’s capacity to form coalitions among the ruling classes, where any political and economic problems tend to have more negative effects on political stability. Almost all of the critical incidents in recent Turkish history, such as the Gezi Park uprising, the 2015

47 Özbudun, “Turkey’s Constitutional Reform,” 193.

48 Calculated by using the old GDP data of the Turkish Statistical Institution (TUIK), December 10, 2017, <http://www.turkstat.gov.tr/PreHaberBultenleri.do?id=21512>. I would like to highlight that in December 2016, TUIK announced a new GDP dataset that was generated by using a modified calculation method compared to ones used to generate the previous datasets. As a result, there are major differences between the old and the new GDP series, and it is hardly possible to explain these differences by using justified statistical techniques. Therefore, I prefer to use the old GDP series to avoid TUIK’s manipulation attempt of the official data. For the discussion on TUIK’s GDP revision, see: Mustafa Sönmez, “How Turkey Used Math to Drastically Boost its Economy,” *Al-Monitor*, December 20, 2016, <https://www.al-monitor.com/pulse/originals/2016/12/turkey-how-turks-became-richer-overnight.html>; Erik Meyersson, “Constructing growth in New Turkey,” December 29, 2016, <https://erikmeyersson.com/2016/12/29/constructing-growth-in-new-turkey/>.

election setback for the AKP, the failed coup attempt, and the 2017 change of regime have taken place in the period of economic slowdown since 2012.

One of the main international components of the deceleration of economic growth in Turkey has been related to developments in the US economy in the context of the US's policy response to the 2008 financial crisis. After former US Federal Reserve chairman Ben Bernanke announced that the Fed would scale back its easy money policy alongside an interest rate hike,⁴⁹ much of the Global South witnessed significant outflows of capital as investors once again flocked to American markets. Turkey was no exception, and this had considerable importance for Erdoğan's political fate. He had benefited greatly from the boost in growth rates caused by an inflow of capital during his first years — while he was battling the Kemalist establishment. But now, as money streamed out of the country seeking American markets, it put downward pressure on domestic growth, which narrowed his support as the second round of battles within the elite unfolded.

THE SECOND ROUND: CRISIS OF THE “NEW” TURKEY

With the Kemalists no longer a threat, Erdoğan thought the political terrain was now under his control. But very quickly, a new challenge emerged in the form of the Gülenists, which reached its climax with an attempted coup on July 15, 2016. The failed coup attempt was part of the second round of the battle within the state. The Gülenists are members of an influential Islamist organization led by Fethullah Gülen, a Turkish cleric who has lived in the US since 1999. The Gülen organization flourished after the military coup of 1980, increasing their presence in and influence on the education and media sectors in Turkey. The Gülen organization has also opened private schools in more than one hundred countries around the world.⁵⁰ They

49 Ben S. Bernanke, “The Economic Outlook,” *Board of Governors of the Federal Reserve System*, May 22, 2013, accessed May 19, 2017, <https://www.federalreserve.gov/newsevents/testimony/bernanke20130522a.htm>.

50 Paul Alexander, “Turkey on Diplomatic Push to Close Schools Linked to Influential Cleric,” *Voice of America*, September 1, 2017, accessed on December 18, 2017,

have attempted to increase their support within key state institutions such as the military, police, intelligence services, and judiciary. As mentioned above, during the first round of the battle within the state, the AKP and the Gülenists managed to form a successful alliance against the Kemalist establishment, which was called the “Old Turkey” by Erdoğan. However, once Kemalists were marginalized in the state apparatus, specifically in the TAF and the judicial system, the vacuum was filled by the Gülenists. As a result, the Gülenists have become the most influential actor within the military, constituting more than half of the high-ranking generals and occupying nearly all of the crucial positions in the army.⁵¹ Hence, one can argue that the unintended consequence of the elimination of the Kemalists was for the AKP the increasing power of the Gülenists over crucial state institutions. In the end, this hegemony of the Gülenists over these institutions boomeranged, hitting Erdoğan hard in 2016.

The second round of the battle within the state, between the Gülenists and the AKP — the two prominent components of the “New Turkey’s” political scene — began immediately after the 2010 referendum, when the marginalization of the Kemalists from the judiciary was completed.⁵² Even though the AKP shared with the Gülenists an anti-secular social agenda, the two groups remained at loggerheads on several other key issues.⁵³ First,

<https://www.voanews.com/a/turkey-erdogan-gulen-schools/4010073.html>.

51 Ahmet Zeki Üçok, a former Turkish military judge imprisoned following his investigation into Gülen’s infiltration within the Turkish military, claimed that “almost all of the military personnel chiefs, almost all of the intelligence chiefs and 72 percent of the military judicial staff were members of this group”; Firat Kozok, “Gülen Infiltrated Turkey’s Military for Decades, Uçok Says,” *Bloomberg News*, August 2, 2016, accessed May 7, 2017, <https://www.bloomberg.com/news/articles/2016-08-02/gulen-infiltrated-turkey-military-for-decades-prosecutor-says>.

52 Ergun Özbudun, “Turkey’s Judiciary and the Drift toward Competitive Authoritarianism,” the *International Spectator* 50/2, (2015): 42-55, 47.

53 In addition to these two policy areas, Erik Meyersson argues that sidelining of Gülenists from public procurements might be another factor for escalation of conflict between two actors. For Meyersson’s argument, see: Erik Meyersson, “Has the AKP facilitated cronyism through public procurement reforms in Turkey?,” *Erik Meyersson Blog*, March 31, 2016, accessed December 20, 2017, <https://erikmeyersson.com/2016/03/31/has-the-akp-facilitated-cronyism-through-public-procurement-reforms/>. However, I argue that exclusion of Gülenists from public procurements was

the Gülenist movement favored closer ties to Israel, while the AKP opposed this policy for fear that it would alienate those sections of its social base committed to political Islam. The divergence on this issue first surfaced in May 2010, with Israel's raid on the Mavi Marmara aid flotilla, headed to Gaza. The Gülen movement openly criticized Erdoğan for being responsible for the loss of civilian lives, opening a breach between the two forces within the new ruling forces. The Arab Spring revealed further tensions between the two groups. The AKP viewed the uprisings as an opportunity to gain geopolitical influence in the regions, aligning itself broadly with the Muslim Brotherhood. This portended a significant shift in focus, signaling a turn away from the West as Turkey's major regional ally. In contrast, the Gülenists pressed for the continuation of Turkey's alignment with the American-led alliance system.

Finally, the two forces split on the Kurdish question, and in particular, over the AKP's "peace initiative." The Gülen movement had a more nationalistic position on the Kurdish question, and was against any overtures on Turkey's part to the Kurdistan Workers' Party (PKK), an outlawed, armed Kurdish organization. As an electoral party, the AKP took a more pragmatic stance, viewing the payoff in terms of Kurdish votes as sufficient enticement to pursue negotiations. Tensions on the issue escalated with an investigation of the National Intelligence Organization (MIT) on February 7, 2012, initiated by Gülenist prosecutors, who attempted to arrest Hakan Fidan, head of the MIT.⁵⁴ Although this attempt was directly prevented by Erdoğan, the incident demonstrated the clear differences between the two parties on the Kurdish question.⁵⁵

part of the broader power struggle between two actors. Thus, the ultimate aim of gaining full control over the state institutions, precisely after marginalization of the Kemalist forces, was at the core of the struggle between the AKP and the Gülen movement.

54 Umut Uras, "Turkish probe marks AKP- Gülen power struggle," *Al Jazeera*, December 24, 2013, accessed December 14, 2017, <http://www.aljazeera.com/indepth/features/2013/12/turkish-probe-marks-akp-gulen-power-struggle-2013122473646994231.html>.

55 Cihan Tuğal, "Towards the End of a Dream? The Erdoğan-Gülen Fallout and Islamic Liberalism's Descent," *Jadaliyya*, December 22, 2013, accessed December 12, 2017, <http://www.jadaliyya.com/Details/29981/Towards-the-End-of-a-Dream-The-Er>

One of the most effective attacks during this AKP-Gülenist battle came from the Gülenists in 2013. Sensational corruption allegations against four ministers of the AKP government, dubbed the “17–25 December 2013 events,” were conducted by Gülenist prosecutors shortly after the dersane crisis. The Gülenist prosecutors revealed a bribery scheme that included Erdoğan and his family along with four of his ministers. Prosecutors also claimed that the bribery scheme was designed to facilitate a gold trade to evade the US sanctions against Iran, and in doing so, aimed to make the court case an international issue. The timing of the allegations was crucial. The Gülenist prosecutors launched these bribery investigations against the AKP and Erdoğan’s close circle just four months after the Gezi Park protests, which undermined the AKP’s credibility, especially in Western capitals. Thus, the 17–25 December 2013 court cases were the first direct attempts by the Gülen movement to topple the AKP, and a turning point in the relations between Erdoğan and the Gülenists. Erdoğan saw the allegations as a “juridical coup.” He responded to them by accusing the Gülen movement of forming a “parallel state structure,” and dismissed Gülenist prosecutors and police officials. Nevertheless, the allegations forced him to sacrifice four of his ministers.⁵⁶

The tensions built up by the recurring clashes finally erupted on July 15, 2016 in the failed coup attempt by the Gülenist wing of the TAF against Erdoğan. The president called on his supporters to rally in the public squares of all major cities to resist the coup, and the attempt failed within twelve hours. Although public resistance was important to thwarting the coup, the real struggle took place *within* the TAF, between Gülenists and nationalists.

After the initial shock, on the very night of the coup attempt Erdoğan called it “a gift from God,” as he viewed it as an ideal pretext to initiate a long-prepared change from a parliamentary system to an executive

dogan-Gulen-Fallout-and-Islamic-Liberalism’s-Descent.

56 Dexter Filkins, “Turkey’s Thirty-Year Coup,” the *New Yorker*, October 17, 2016, accessed December 10, 2017, <https://www.newyorker.com/magazine/2016/10/17/turkeys-thirty-year-coup>.

presidency.⁵⁷ Erdoğan launched this new strategy by declaring a state of emergency on July 20, 2016, initially limited to three months but which has been extended right up until the present (February 2018).⁵⁸ Under the state of emergency, Erdoğan's main strategy has been to silence all opposition, including the third-largest political party in the parliament (the Peoples' Democratic Party, or HDP), which represents an alliance between the democratic Kurdish movement and the Turkish left, while centralizing all power around himself. During this state of emergency, the co-presidents of the HDP, Selahattin Demirtaş and Figen Yüksekdağ, more than ten members of parliament, and almost all HDP mayors have been arrested.

Erdoğan's desire to change Turkey's political regime from a parliamentary to a presidential system took shape with the help of the Nationalist Movement Party (MHP), whose leader, Devlet Bahçeli, called for changing Erdoğan's de facto super-presidency authorities to de jure status.⁵⁹ To effect this change, a referendum on transforming the parliamentary regime into an executive presidential system took place in April 2017. As already mentioned, this resulted in a victory for Erdoğan. However, the battle within the state between Erdoğan and the Gülenists hit the Turkish economy hard, despite Erdoğan's political victory.

ESCAPE TO THE FUTURE

In the wake of the failed coup attempt, the Turkish economy experienced an economic contraction in the third quarter of 2016, the first such contraction

57 Marc Champion, "Coup Was 'Gift From God' for Erdoğan Planning a New Turkey," *Bloomberg News*, July 18, 2016, accessed May 5, 2017, <https://www.bloomberg.com/news/articles/2016-07-17/coup-was-a-gift-from-god-says-erdogan-who-plans-a-new-turkey>.

58 BBC, "Turkey Coup Attempt: State of Emergency Announced," July 21, 2016, accessed May 8, 2017, www.bbc.com/news/world-europe-36852080.

59 Reuters, "Turkey Could Hold Referendum on Presidential System by Spring," October 14, 2016, accessed May 8, 2017, <https://www.reuters.com/article/us-turkey-politics-referendum/turkey-could-hold-referendum-on-presidential-system-by-spring-minister-idUSKBN12EoL4>.

since 2009.⁶⁰ In addition, international credit rating agencies lowered Turkey's rating, triggering a collapse of the national currency, Turkish Lira (TL), in 2016. The collapse of the currency resulted in increasing inflation amid a slowdown of economic growth. This result was inevitable given the structure of the Turkish economy, which is highly dependent on imports as its industrial structure relies on imported intermediate and capital goods to sustain its growth rate and enhance its ability to export.

Moreover, the expansion of consumer loans, which has been one of the main mechanisms of the neoliberal populism of the AKP, came to an end in 2016. According to the Turkish Banking Association, the rate of expansion of consumer loans has ended in real terms.⁶¹ There was a restructuring of credit card debt in September 2016.⁶² Although it was focused on consumer loans, industrialists were demanding a general debt restructuring for commercial loans as well. The government announced that there will be a partial debt restructuring for the commercial loans, too.⁶³

The economic contraction in tandem with the constriction of economic support mechanisms for the poor posed a serious challenge for Erdoğan. His response was to announce a new strategy, a kind of "escape to the future." For Erdoğan, "the future" was clearly the April 2017 referendum. His gambit was to contain the negative effects of the economic slowdown and undertake measures to cushion its effects on the general population. The strategy had three components: (i) socializing firms' losses with state

60 Turkish Statistical Institute, *Quarterly Gross Domestic Product, III. Quarter: July-September 2016*, December 12, 2016, accessed June 2, 2017, <http://www.turkstat.gov.tr/PreHaberBultenleri.do?id=21513>.

61 Business HT, "Kredi Büyümesine 'Darbe Girişimi' Freni [Credit Expansion Brake by the 'Coup Attempt]," November 16, 2016, accessed June 2, 2017, <http://www.businessht.com.tr/ekonomi/haber/1324559-bankalar-birliginden-aciklama-kredi-buyumesi-durma-noktasina-geldi>.

62 Ali Rıza Güngen, "Borç Yapılandırma ve Taksit Düzenlemeleri: Neden Şimdi?[Debt Restructuring and Installments Regulations: Why Now?]," *Kriz Notları*, November 1, 2016, accessed June 2, 2017, <http://kriznotlari.blogspot.com.tr/2016/11/borc-yapilandirma-ve-taksit-duzenlemeleri.html>.

63 Ümit Akçay, "Genel Borç Yapılandırılmasına Doğru [Towards a General Debt Restructuring]," *Gazete Duvar*, November 7, 2016, accessed June 2, 2017, <https://www.gazeteduvar.com.tr/yazarlar/2016/11/07/genel-borc-yapilandirilmasina-dogru/>.

guarantees and bailouts for bankrupt businesses; (ii) stabilizing the national currency; (iii) boosting consumer and commercial loans.

The first component of this strategy was targeted at small and medium enterprises. Toward this end, the State Guarantee Fund was activated, with the fund providing collateral for firms with low credit scores which made them unable to secure bank loans. Then, with the help of the fund, \$73 billion in fresh loans (almost 10 percent of Turkey's GDP) was made available to those firms which were desperately in need of new loans in order to survive.⁶⁴ In this way, roughly 30,000 firms have been rescued from bankruptcy.⁶⁵ Tax rebates and additional investment incentives were part of this first component of the “escape to the future” strategy.

The second component has been stabilization of the national currency. This component is especially crucial for the functioning of other elements of the strategy, because rapid currency depreciation is a red flag for the Turkish economy, which is already burdened by a large current account deficit. The stabilization process has taken place in an unusual way. The TCMB chose to use the Late Liquidity Window (LLW), instead of the inter-bank channel, to fund the money market and increase the effective policy rate (the Weighted Average Funding Cost of Central Bank Funding) from 7.73 to 11.95 percent. This rise in the effective policy rate occurred between October 5, 2016 and June 23, 2017.⁶⁶ In addition to this rise in the policy rate, a rapid increase of capital inflows to the Turkish economy, parallel to other emerging markets, in the first half of 2017 eased the pressure on the TL. However, despite the fact that the national currency has stabilized at around 3.5 TL against the US dollar, over the last year (between June 23, 2016 and 2017) the TL has been the most depreciated currency among the

64 Mehul Srivastava “Turkey creates \$73 billion fund for businesses,” December 8, 2016, *Financial Times*, accessed June 6, 2017, <https://www.ft.com/content/5a948f66-5c9f-3a8e-bb0b-9c9e8819c963?mhq5j=e3>.

65 Gazete Duvar, *Yıldırım: Bunu Yapmasak 30 bin Sanayici Göçmüştü* [Yıldırım: Had We Not Done This, 30,000 Industrialists Would Go Bankrupt], June 22, 2017, accessed June 23, 2017, <https://www.gazeteduvar.com.tr/ekonomi/2017/06/21/yildirim-bunu-yapmasak-30-bin-sanayici-gocmustu/>.

66 CBRT, *Weighted Average Funding Cost of the CBRT Funding*, accessed June 23, 2017, https://evds2.tcmb.gov.tr/index.php?/evds/serieMarket/#collapse_18.

top twenty traded currencies, showing a decline of 18.8 percent.⁶⁷

The third component has been easing of credit conditions for both households and companies. As mentioned above, the expansion rate of consumer loans ended in real terms in the second half of 2016. Nevertheless, because the state has actively encouraged the banks, between October 2016 and June 2017 there was an increase in total loan growth rate from 7 to 22 percent.⁶⁸

As a result of this three-sided stimulus package, Turkey's economic growth rate increased to 5 percent in the first quarter of 2017, with economic activity recovering temporarily. In fact, this recovery brought about the majority vote for a change in the political regime in the April 2017 referendum. The "yes" vote for the executive presidential regime was 51.4 percent. Thus, the first step of Erdoğan's "escape" strategy was successful.

However, the "yes" vote for regime change didn't mean that Erdoğan was able to establish full control over the state institutions; rather, it only postponed the political crisis. After the referendum, Erdoğan was forced to form a new alliance with nationalists in order to fill the personnel vacuum left by the elimination of the Gülenists from the state bureaucracy. Nationalism has itself been the main ideological bond holding the new coalition between Erdoğan and nationalists together. The nationalist front under the leadership of Erdoğan has been formed on the basis of exclusion of the democratic Kurdish parties from Turkey's parliament and preventing the possibility of any autonomous Kurdish-dominated cantons being formed in northern Syria.

Thus, one can argue that the battle within the state has not ended with Erdoğan's most recent measures. Indeed, the 2019 presidential election will be the arena for the final round of the power struggle within the

67 Eshe Nelson, "The British Pound isn't the World's Worst Currency," *Quartz*, June 23, 2017, accessed June 25, 2017, <https://qz.com/1013172/brexit-anniversary-the-british-pound-isnt-the-worst-performing-currency-in-the-one-year-since-the-vote-but-its-close/>.

68 Ashi Kandemir, "Why Erdoğan Is Flooding Turkey's Economy with Credit," *Bloomberg Businessweek*, June 22, 2017, accessed June 25, <https://www.bloomberg.com/news/articles/2017-06-22/why-erdogan-is-flooding-turkey-s-economy-with-credit>.

ruling classes. As the 2019 elections (local, parliamentary and presidential) approach, however, Erdoğan neoliberal populist model faces its most serious challenge: the sustainability of a high economic growth rate. This is due to the fact that the recovery was temporary. The financial sector has reached the limits of credit expansion (i.e., the ratio of bank loans to deposits reached 150 percent in June 2017),⁶⁹ which in turn put upward pressure on interest rates. Meanwhile, public borrowing needs have increased rapidly during the implementation of the “escape” strategy.⁷⁰ In other words, the “escape” strategy substituted increased public expenditures for the decline of international inflows in order to sustain the neoliberal populist model.

As the 2019 elections approach, economic stagnation will still be one of the biggest threats Erdoğan faces. There are two options for the AKP. First, because the economic problems make the “populist” part of the model unsustainable, the AKP may find that it must reduce social-assistance expenditures and implement the bitter pill of austerity. Alternatively, it can keep the populist component of the model intact while pushing the limits of the neoliberal model toward more developmental-oriented policies. Taking the rhetoric of the AKP and Erdoğan into consideration, they seemed to have preferred the latter since 2012, despite the fact that, in practice, they have been determined to implement the neoliberal populist model. Hence, the level of the economic difficulties facing Turkey will most likely determine the political future of both Erdoğan and the AKP. ☞

69 Kandemir, “Why Erdoğan Is Flooding Turkey’s Economy with Credit.”

70 Mustafa Sönmez, “Treasury Borrowing Aggravates Turkey’s Interest Rate Woes,” *Al-Monitor*, June 28, 2017, accessed June 29, 2017, <https://www.al-monitor.com/pulse/originals/2017/06/turkey-government-pressure-on-banks-lower-interest-rate.html>.

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