



Trump's International Political Economy:
Neocon Neoliberalism Camouflaged with
Anti-Globalization Circus

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Abstract

This paper explores the likely contours of Trump's international economic policy. A key element of Trump's political success has been his masquerade of being pro-worker, which includes being anti-globalization. However, his true economic interest is the exact opposite. That creates conflict between Trump's political and economic interests. Understanding the calculus of that conflict is critical for understanding Trump's international economic policy. Trump will strongly criticize globalization but the bark will be worse than the bite because globalization has increased corporate profits. Trump also expresses neocon unilateralist tendencies that are not a one-off temporary political aberration. Instead, they reflect intrinsic and enduring features of the current US polity. That has profound implications for the international relations order, and is something foreign governments may not yet have digested.

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1. The Trump recipe: neocon neoliberalism wrapped in anti-globalization circus

A key element of Trump's political success has been his masquerade of being pro-worker, which includes posturing as anti-globalization. However, his true economic interest is the exact opposite, which creates conflict between Trump's political and economic interests.

It is politically essential for Trump to maintain his pro-worker masquerade. Consequently, he must carefully balance conflicts between his political and economic interests. That calculus is key to understanding his economic policy, and especially his international economic policy.

As part of maintaining his pro-worker masquerade, Trump will engage in an anti-globalization circus, but the bark will be worse than the bite because neoliberal

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globalization has increased corporate profits, in line with his economic interests. He will also feed his political base racist immigration policy as long as that does not adversely impact corporate profitability.

Lastly, Trump expresses neocon unilateralist tendencies that play well with much of the US electorate. His neocon unilateralism is not a one-off temporary political aberration. Instead, it reflects intrinsic and enduring features of the current US polity. That has profound implications for the international relations order, and is something many Western European governments may not yet have digested.

2. How Trump succeeded

Trump's political success was based on a two-sided attack of the establishment. First, he ratcheted up the existing Republican "illiberal" cultural values agenda into full-blown racist authoritarian nationalism. Second, he captured the progressive critique of the neoliberal economy, especially the critique of globalization.

Trump's ratcheting-up of the cultural values agenda enabled him to displace the Republican establishment which has pushed an increasingly illiberal agenda for five decades. His extremism jumped him to the front of the Republican queue, which was critical in the primary process as that process engages the most extreme voters. However, his racist nationalism also has broader political appeal because racism reaches far beyond the Republican base, while nationalism has bi-partisan establishment support.

The other side of Trump's success was his capture of the progressive critique of the neoliberal economy. For four decades, the US economy has short-changed working class voters via wage stagnation and manufacturing job loss. That has created discontent and disappointed expectations. Trump exploited that discontent and disappointment by

masquerading as a critic of the neoliberal economy and promising to make the economy work for working class Americans.

In this regard, his capture of the globalization and deindustrialization debate is particularly important. That is because globalization and deindustrialization are the most public face of the neoliberal economy, being where the impact on wages and jobs has been most visible and tangible. By gaining credible ownership of the globalization critique (via his criticisms of off-shoring, China, and trade deals like NAFTA and TPP), Trump gained credibility for his claim to be on the side of working families.

Establishment Democrats handed Trump the opening to capture the globalization debate by pushing the Trans-Pacific Partnership (TPP) despite widespread voter opposition. For that, President Obama deserves special blame.

That capture enabled Trump to create a new twisted narrative about neoliberal globalization which blames “foreigners and immigrants”. The Trump narrative is that the US is a victim. The US has supposedly negotiated weak trade agreements and foreigners have cheated on those agreements. Simultaneously, illegal immigrants have flooded in and taken US jobs and driven down wages. The reality is globalization has been “Made in the USA” by corporations, for the benefit of corporations, working in tandem with Congress and successive administrations (Palley, 2015).

Trump’s new blame it on “foreigners and immigrants” narrative of globalization complements and feeds his racist nationalist cultural values agenda. With foreigners and immigrants supposedly to blame for the economic difficulties of US workers, that provides the rationale for xenophobic policies.

In sum, Trump succeeded by outflanking the Republican establishment with his

racist nationalist values agenda, and outflanking the Democratic establishment with his anti-globalization economic rhetoric. These two political manoeuvres constituted a coherent political strategy that enabled Trump to connect with reactionary voters while masquerading as being on workers' side.

3. Bait and switch: anti-globalization bait, neoliberal switch

Trump's representation as being on the side of workers stands in complete contradiction to his own interests as a billionaire businessman whose metric of success is money and wealth, and who is devoid of charitable inclination or notions of public service. The reality is he is engaged in a skillful "bait and switch" befitting a con artist.

The bait is his critique of the economic establishment and globalization and the harm they have done to working class voters. The switch is rather than reforming the neoliberal economy, Trump substitutes racism, nationalism, and authoritarianism, while simultaneously doubling-down on neoliberal economic policy.

Given his lack of any history of government service, Trump could initially get away with this pro-worker masquerade. However, the realities of Trump's economic policies have now become clear. All the evidence suggests he intends to worsen the neoliberal economy's proclivity to deliver wage stagnation and income inequality by increasing the power of business and finance, and by intimidating workers and weakening unions.

Trump's economic policy team is dominated by ex-Goldman Sachs personnel, who include Treasury Secretary Stephen Mnuchin and National Economic Council Director Gary Cohn. Trump's Chief Strategist, Stephen Bannon, is also a Goldman Sachs alumnus.

Trump's tax policy aims to cut the tax rate on corporations and wealthy individuals; his budget expenditure policy aims to slash social welfare spending and provision of public services to lower and middle class families; and all forms of regulation – consumer, labor market, business, financial, and environmental – are under profound attack.

The one area where the masquerade continues is international economic policy. That is because Trump is compelled to balance political needs and economic interests. As for politics, Trump needs to present himself as remedying globalization's negative effects. Among working families, globalization is the most visible and economically understood issue, and Trump's critique of globalization is front and center of his pro-worker masquerade. That makes it politically essential he preserve his image as critic of globalization.

As for economics, Trump's own economic interests have him identifying with corporations and capital. Globalization has been "made in the USA" for the benefit of large US multi-national corporations which have been big winners from the process. Consequently, Trump is inclined to preserve the system, though he is willing to make changes if that increases corporate profitability. The implication is one can expect lots of anti-globalization circus to address Trump's political needs, but he will not rock the globalization boat unless something more profitable is possible.

Trump must balance his political need versus his economic interest, and that calculus helps understand and predict his policy choices. A first example is Trump's decision to withdraw from the TPP. Though corporations wanted the agreement, the calculus demanded Trump withdraw to preserve his pro-worker masquerade as the TPP

had been such a prominent issue in the election.

A second example is Trump's scolding of the Carrier Corporation and Ford Motor Corporation regarding transferring jobs to Mexico. His scolding was economically inconsequential for those companies and did nothing to solve the systemic problems of globalization. Instead, it constituted pure circus aimed at preserving Trump's political masquerade.

A third example is Trump's refusal to brand China a currency manipulator, despite promising to do so in the election. US corporations are big beneficiaries from China's under-valued exchange rate as their imports cost less and their exports from China are more profitable. Consequently, economic interests dominate political need, and the political need will be addressed with circus rhetoric criticizing China.

A fourth example concerns immigration. Historically, immigration has been a separate issue. However, Trump's reframing of globalization, which blames "foreigners and immigrants", makes immigration central. Given that warped frame, cracking down on illegal immigrants yields political benefits as it is viewed as defending US jobs and wages. Corporations are amenable to this as there is little economic cost to them, and there may even be some benefit to the extent it intimidates wage demands. Furthermore, Trump will fully retain the H1-B visa program that gives corporations access to cheap trained foreign labor, thereby saving business from having to invest in and pay higher wages to US workers.

A fifth example is NAFTA. This is an instance where politics and economics potentially collide. NAFTA is politically very unpopular and viewed as the poster-child for the downside of globalization. However, it is very profitable for corporations.

Trump's likely resolution is a nationalist pivot that pits an enhanced NAFTA against globalization and the WTO. For instance, it could involve stricter rules of origin that strengthen the North America auto industry by excluding East Asian components.

However, a Trump enhanced NAFTA will not include stronger labor and environmental standards as that would hurt profits; it will not eliminate the investor – state dispute settlement (ISDS) provisions that benefit corporations by giving them special rights to sue governments; and it may even strengthen intellectual property rights of pharmaceutical and software companies.

Politically, such a reconfiguration of NAFTA would probably work for Trump. Profits might actually increase, while manufacturing unions would likely support it owing to the stricter rules origin. Consequently, Trump would sustain his pro-worker masquerade despite opposing strengthened labor and environmental standards and supporting undemocratic and regressive treaty provisions.

The sixth example is a border adjusted tax (BAT) that taxes imports and exempts exports. A BAT raises conflict between Trump's economic interest and his political masquerade. Politically, it bolsters his anti-globalization pro-worker masquerade. Economically, it runs against his economic interest because it hurts profits. Corporations benefit from cheap imports and from their export production platforms in low wage countries. For that reason, a BAT is unlikely to be imposed. However, Trump still gets political benefit from floating the possibility, and he also gets political benefit from his rhetorical outbursts regarding the US acting unilaterally, including disregarding the WTO. Moreover, Trump even stands to gain politically with the establishment by ultimately rejecting a BAT because establishment pundits will say he was wise to do so as a BAT is

WTO-inconsistent and threatened to start a global trade war.

Finally, the Trump administration's pro-neoliberal globalization inclinations are visible in its preliminary negotiating stance re the Trade in Services Agreement (TISA) and the China bilateral investment treaty (CBIT). The signals are it supports retention and spreading of investor – state dispute settlement; expansion of intellectual property rights; restraints on government procurement policy; and lack of effective global labor and environmental standards.

4. Trump and international relations unilateralism: the neocon factor

Trump's international economic policies signal the transition to a new era of US unilateralism in international relations. Part of this new unilateralism is Trump's political posturing aimed at convincing his base that he is nationalist and anti-globalization.

However, part of it may reflect the triumph of neocon thinking within the US.

The neocon project derives from the belief that never again should there be a power, like the former Soviet Union, capable of rivalling the US. Originally, the neocon project represented extreme Republican thinking, but it has become mainstream thinking. Both Republicans and Democrats now believe the US has the right to intervene anywhere in the world, any time it chooses, and it has the right to pepper the globe with military bases and military personnel deployments – including ringing Russia with these.

The bi-partisanship is evident in Democrats' support for the Iraq war and acceptance of the war on terror as justification for intervention anywhere. It is also evident in President Obama's continued investment in global military base expansion, expansion of NATO deployments into central Europe and the Baltics, and encouragement of the 2014 Maidan revolution in Ukraine.

Additionally, Democrats supplement the neocon rationale for intervention with the claim that the US has a right to intervene in the name of protecting democracy. That right derives from “US exceptionalism” whereby the US has a special mission to transform the world by promoting democracy, and it reinforces bi-partisan belief in unilateralism.

The neocon project was originally concerned with military supremacy and targeted Russia. However, it is about US power in general, which means it potentially implicates every country and every dimension of international policy.

Neocon unilateralism may now be now spreading into international economic relations. As the sole global super-power, the US inevitably feels increasingly unrestrained in all areas. Economic unilateralism is also politically consistent with popular hyper-nationalist sentiment that has been encouraged on a bi-partisan basis. Lastly, it also fits with the narrative constructed by Trump that “foreigners and immigrants” are responsible for US economic malaise.

The importance of the neocon factor is it dramatically changes the interpretation of Trump’s unilateralist international economic policy chatter. Instead of just being Trump bluster, such chatter is consistent with the neocon construction of international relations. That construction provides the over-arching frame for US foreign policy, and international economic policy must therefore conform with it. That explains why Trump’s NATO strictures have raised so few ripples within Washington, and why the Washington establishment has been so quick to engage the BAT proposal despite its unilateralist character and damage to the WTO. Trump has surfaced such thinking because it plays well with his nationalist domestic political strategy, but proclivity for such thinking was

already in place.

5. Conclusion: the likely contours of Trump's international economic policy

Given Trump's political needs and economic interests, what are the likely contours of Trump's international economic policy?

First, expect much circus chatter critical of globalization, but it will be all bark and no bite because neoliberal globalization has benefitted corporate profits.

Second, expect more unilateralist talk because that plays well with Trump's electoral base and is consistent with neocon doctrine.

Third, expect a move toward bilateral negotiations. As the largest country economy, the US benefits from such an approach which gives it greater leverage over smaller country economies. The corollary is foreign countries do better when they negotiate with the US as a group, rather than one-on-one. For instance, the EU does better as a group than as a collection of individual countries. That has implications for Latin America.

Fourth, regarding specifics, labor and environmental standards will have no place as they are bad for profits. However, the intellectual property rights enforcement and expansion agenda will continue as that is good for profits, and support will also continue for investor – state dispute settlement provisions. Additionally, trade policy will focus on issues such as rules of origin and anti-dumping provisions, harking back to the 1980s and Ronald Reagan's approach which invoked strategic industrial interventions.

Fifth, immigration has become a central component of Trump's globalization narrative. Expect harsh internal US immigration enforcement targeting vulnerable workers and aimed at pleasing his electoral base, along with a “window-dressed”

continuing easy H-1B visa program that gives corporations access to cheap labor and saves them from having to invest in their workers.

Lastly, Western European governments will need to digest the international relations implications of Trump's neocon unilateralism which is not a one-off temporary political aberration. Instead, it reflects enduring features of the current US polity which has entered a neocon era where tacit unchallenged US global supremacy is the goal and unilateralism is a new norm.

References

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