

What the Obama Era Will Bring
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We Americans have an old—and unattractive—habit of coming to Europe with orders and commands. Woodrow Wilson started it at the Versailles Conference in 1918, preaching a new world order built on fourteen points that America itself soon enough rejected. After World War II, with Europe and East Asia ruined and Soviet nuclear arms and ideology a fearsome threat, America's preaching to the world became an ordering of the world, and that ordering all too often became outright domination. So inevitably with American domination came a worldwide resentment of our messianic advice.

I want to speak here today in a different American voice. The world is changing in surprising ways now, with new global powers emerging and new global challenges that can't be resolved by American messianism or by reimagining the Manichean black-and-white divisions of the Cold War. The Berlin Wall fell nearly a quarter century ago—but with it fell the Washington-Moscow condominium that rationalized America's need to impose the world's order as it had done for almost half century.

Don't misunderstand: America's by no means stepping back from its role on the world stage. What will replace our old messianic drive for an American-designed and American-defined order is my subject today—and I mean not to give orders myself but raise hard questions, not to exercise US domination but to offer you a challenge. I come as an American of the left to speak to you as Europeans and Africans, Latin Americans, and Asians who I believe likewise count yourselves of the left as well.

But what is the left project we face today? And what is America's role in it, for good and ill?

Let's start with a fundamental observation: the Great Global Recession, which began on Wall Street six years ago but lingers on today across the world, is producing a profound shift in American politics. So have two wars—one in Iraq, one in Afghanistan—which have already cost trillions but have produced no clear victories or even clear outcomes, as far as America is concerned.

Large wars and financial crises have always produced regime change in America. Our Civil War from 1860 to 1865, with its 700,000 dead and subsequent deep recession, gave rise to a notably long Republican era, when GOP presidents sat in the White House from 1860 to 1932—72 years—with just two Democratic exceptions.

The Great Depression in 1932 launched a new long era, in which Democratic presidents held the White House until 1980—nearly 50 years—with only two elected Republican exceptions. The second great OPEC price hike, stagflation, and American humiliation in the Iranian hostage crisis in 1980 installed a second long Republican era that lasted until 2008—nearly three decades—when, once again, Wall Street and war brought a precipitous era's end.

An end to the Reagan Era? It still hard in 2013 to say quite so clearly that 2008 marked a new era's beginning—and until quite recently, the common view was that in fact it had not. For months before and after the first election of Barack Obama, talk of “new eras” and “regime change” abounded far too carelessly among his admirers, fed both because he was America's first non-white President and by the strikingly refreshing autobiographical-shaped political vision that he set forth in The Audacity of Hope and Dreams of My Father.

Soon enough, however, doubts about changed overwhelmed hopes. The recalcitrance of Congressional Republicans, the absence of legislative victories the public could understand and embrace, the intractability of the recession, the failure to define a bold new national course culminated in the disastrous Congressional and gubernatorial losses of the 2010 mid-term elections. The question was no longer “Has Obama brought a new era?”; instead, the question was “Can Obama be re-elected?”

But now suddenly, just a month after Obama’s second inaugural, that pessimism is lifting—and dramatically so. Republicans still hold the House but have compromised on taxes, the debt ceiling and seem likely to do so on entitlement reforms—all of which seemed unimaginable just two months ago. Republican leaders and commentators from Louisiana’s Gov. Jindahl to the New York Times’ David Brooks are calling on the Tea Party—and more broadly the GOP—to redefine conservative, strategy, politics and ideology or risk being permanently marginalized.

Some of this always follows defeat, but I believe—and I am far from alone—that 2012 in fact finally holds the promise of a fundamental American political and policy realignment—the beginnings of an Obama Era—as certainly as Lincoln’s, FDR’s, or Reagan’s elections proved. The fact that that change is not universally clear is not a refutation. After all, long-term change wasn’t apparent in the first term of any of those three transformative presidents.

The outcome of the Civil War was still in question in 1864, the fate of the New Deal in 1936, the Reagan Revolution in 1984. No one in any of those three years before re-election could have safely predicted that a new “era” had begun—and yet it had.

What underlies this shift, now as then, goes beyond war and financial crises. Those serve to precipitate era changes, but rarely represent their fundamental cause. The deeper causes of era change are inevitably demographic, institutional, and most importantly ultimately ideological, when a dominant ideology no longer aids the inevitable compromises and negotiations among classes and interests that all periods require. In the case of Lincoln, beneath the Civil War’s repudiation of slavery was the pell-mell rise of industrialization, great cities, massive international and domestic migration, and new urban middle and working classes with their suddenly insistent voices louder than farmers’. Some voices were calling for reform, some for revolution, but all called for action that would reorganize society and the rules governing it.

In 1932, the Depression was deeply underpinned by the sudden explosion of consumer capitalism—different from capitalism’s first-stage organization of production during the late 19th and early 20th century, with its factory-floor issues of labor rights, division between profits and wages, and monopolization’s impact on competition and smaller firms. The 1920s were about other issues, foremost about the fact of ever-expanding consumption—through advertising and easy consumer credit—and with it an unregulated expansion of consumer, business, and real estate finance in all forms. The inevitable financial bubble such consumer expansions produce made the 1920s the authentic first era of our own modern world.

The mindless celebration of consumption and laissez-faire in the 1920s is what produced the New Deal, with its expanded government regulation, government spending, and emphasis on government-guaranteed security over laissez-faire’s “freedom.”

Yet the Roosevelt Era didn’t last into the 1970s because of those New Deal reform; it endured so long because World War II brought a crucial decision by American elites to destroy American isolationism as surely as the Civil War had destroyed slavery. Choosing to govern the postwar world, to confront Soviet Communism across the globe, and to fuel domestic economic growth through

Military Keynesianism and the dollar's replacement of gold through Bretton Woods in the 1940s are what sustained the four-decade-long run of the Roosevelt Era, not the 1930s' New Deal reforms themselves.

Richard Nixon was the last Rooseveltian, a president who embraced both America's domestic welfare state and its global garrison role—but who was undone by the system's inherent contradictions. By the early 1970s, the American-led drive to rebuild Europe and Japan was complete, and our allies' direct dependence had become our allies' direct competition—and not only for foreign but US markets. Fatally, what Nixon failed to foresee when he killed off Bretton Woods in 1971 was the revenge of OPEC's price hike two years later, when Middle Eastern producers sought to recapture purchasing power they'd lost with decline of the dollar.

The West's inability to keep growing absent the long Roosevelt era's cheap dollars and cheaper oil quickly brought the Reagan Era to America and the world. Its signature conviction that governments everywhere "aren't the solution but the problem" led to massive supply-side tax cuts for capital and the rich, a harsh new discipline for the developing world (the Washington Consensus), and—in the deepest irony of its hypocritical conservative worship of fiscal prudence—gargantuan new fiscal deficits via an unbounded new Military Keynesianism and unprecedented US trade deficits in the name of Free Trade. Moreover, absent smoothly-functioning global capital markets, and absent the willingness to admit using fiscal policy for growth, the Reagan Era turned to the Federal Reserve and Alan Greenspan for a monetary hyper-Keynesianism unprecedented in monetarist theory or historical US practice, accompanied by a deregulation of private finance meant to "manage" the vast flood of new dollars the failures of Reagan-era Fed policy and the twin deficits required.

That Reagan-era-long strategy—and its rationale—are now giving way to an Obama Era for simple reasons. The hyper-growth of Western finance compared to the West's real-goods production, the US's trade-based financing of China's industrialization and integration into the global capitalist trading system at the cost of America's manufacturing base, the radical rise of income and wealth inequality, and the fiscal and political cost of two inconclusive wars—and most important, the vast harm done by Wall Street to most Americans' incomes, retirement savings, home valuations, and hopes for their and their children's future—have delegitimized the Reagan Era's tenets in the most fundamental of ways.

But what will the Obama Era look like—and how will it be determined?

The first answer is economic and global: America will soon cease being the world's largest national economy. With that shift will come shifts in perceptions of America's unilateral power—and calls for multilateral sharing of power. Washington knows this, and has turned from Europe to Beijing, hoping to negotiate a bilateral hegemony that will sustain American power another century.

What lies pressing against that bilateral possibility are not only growing Chinese interests to act hegemonically on its own, plus the rise of the BRICs and a new global pattern of East-East, South-South, and East-South trade and finance that will inevitably further erode America's old unipolar role.

At home, the demography of race and immigration will play its own defining role—America is already far more racially diverse than in its past, and will only become more so. Also, much of that racial diversity is fed by immigration—the greatest wave of immigration, in fact, since the late 19th century. Integrating non-whites and immigrants inevitably requires government action to provide security and opportunity—a sure guarantee against maintaining the Reagan-era's model of "less government is more."

But a diverse population still needs jobs—and where will those opportunities lie? Not certainly in manufacturing, as it did a century ago, nor in low-and-mid-skill unionized jobs. The fact that low-wage Asia has trumped the West's high-wage, high-benefit manufacturing model of growth is going to be one of the central challenges of the Obama Era.

The other great challenge is the prospect of three billion global middle-class consumers, scheduled to appear under current growth assumptions over the next 20 years. The inevitable competition for global resources won't strengthen American unilateralism—far from it.

That quest for domestic jobs for a racially-changing American workforce, combined with global middle-class-driven competition for resources, poses a deep challenge to the Obama Era's success. For much of the Reagan Era, the rise of financial capitalism carried not just the rich but much of the middle class higher in terms of net worth—through rising home and pension savings—even as it dramatically worsened income and wealth inequality overall.

Flat American wages were offset by increased family indebtedness, borrowed from rising home prices, and by a lack of global inflation pressures, as low-cost Asian-made goods filled American stores.

But with rising Asian middle class demand and wages, with an inability to tap home equity for consumption, the internal distributive contradictions will slowly become a defining issue of the Obama Era. And how that era handles that question will mark its long rise or short fall.

Political conservatives, biased by hostility to governments and to redistribution, offer no real alternative—at least not one conducive to stable governance. But American liberals at this point are no better equipped intellectually because they have no theory of growth of their own, beyond ameliorative redistribution.

Let me suggest to you, therefore, that the Obama Era risks its own survival without adopting at least three premises more familiar to socialists than to conventional liberals or conservatives.

The first is solidarity: in the decades ahead the shift of global manufacturing from West to East, with consequent downward pressures on Western workers and middle classes, require a new international bargain.

The essence of that bargain is the need for governments globally to capture a greater share of the private profits reaped through international wage differences and through the mobility of capital in comparison to labor.

That in turn requires a new global set of bargains, as large as Bretton Woods was in inaugurating the post-war Roosevelt Era.

It requires restructuring the WTO to recycle trading profits from severe wage differentials toward authentic global income security.

It requires a new IMF and global currency regime built on the multilateral synthetic bancor system conceived by Keynes himself rather than the dollar-determined system imposed in 1944 by Washington.

It requires a new international set of conventions on taxation and tax evasion that recaptures the estimated trillion-plus dollars of corporate and personal income that lies today in offshore tax havens.

It requires tying the access of trade and finance across national border to conformity with global environmental and human rights standards.

It requires a new commitment to govern transparently, to welcome and encourage citizen use of internet-available open-source data on public budgets, public contracts, and public salaries and benefits to monitor both elected and appointed officials.

It requires an entire new regime of international standards, auditing powers, and enforcement regimes over global finance to restore stability, transparency, and fairness to capital markets.

Most importantly, it requires a new understanding of “growth” itself in light of markets’ historical failure to price pollution and resource depletion, in order to guarantee that the hopes of billions of new middle-class citizens around the world will not end in an Armageddon of global warming, resource wars, and obscene inequalities.

The Obama Era, in short, lies ahead—but the challenges today are far larger than an American president can resolve. In this lies danger for those who would turn back to earlier eras for simple solutions. For men and women such as you, informed by an international socialist tradition, and by a firm understanding that new ways must be found to bend new forms of capitalism to the democratic needs of a global majority, the Obama Era promises only opportunity.

Thank you.