

Middle Class Economics?

Restoring the American Dream in a Corporate Age

Andreas Stormo



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Trykk:

Abstract:

The Financial Crisis of 2008 and the ensuing recession created much ambivalence about free market economics as a viable way to achieve sustainable economic growth in the United States. Despite a robust recovery the downward trend of the American middle class has persisted. In 2015 The Obama Administration launched “Middle Class Economics” (**MCE**) as a new set of economic policies that seek to arrest the negative developments and restore America as a middle class society. In parallel to MCE the Obama Administration is championing an ambitious set of free trade agreements that seeks to include substantial parts of Asia and the EU in a trading regime centered on the U.S. The Trans Pacific Partnership (**TPP**) and Transatlantic Trade and Investment Partnership (**TTIP**) are touted as a “managed“ form of economic globalization that is more dynamic and socially friendly than the current arrangements, and which will benefit the working- and middle class in America.

This thesis looks at the discursive foundations for these policy initiatives, and sees this in connection to a broader shift in economic thinking away from free market economics, in order to evaluate if we are witnessing a substantive shift in economic thinking away from pure market governance towards a more active state that seeks to relieve social hardships through economic policy.

For this purpose a combination of discourse analysis **DA** on textual data from The White House, structural analysis of economic institutions, and cultural **IPE** theory is used.

This thesis suggests that while we are seeing a broadening of the economic debate in the U.S to include more non-market elements, these elements are overshadowed by geopolitical strategic concerns, represented by the **FTAs**. Although we are seeing a shift to an economic debate that is concerned with the social effects of free market economics, these concerns are only recognized insofar as they affect economic performance. Thus we are not seeing a democratization of economic policy, but rather a “comeback” of the state in economic governance as a more hands-on economic partner in supporting a type of economic globalization that is articulated and driven by major corporations. In turn a new type of middle class citizen is created that will fit into this new competitive environment.

Foreword

After the financial crisis of 2008 and the ensuing recession, the massive budget deficits, and growing economic inequality in the United States conversations have arisen as to the future of America as a middle class country, and as the chief underwriter of economic globalization. The most dramatic speculations have heralded the utter demise of “capitalism as we know it”. This debate has given rise to an entire cottage industry of writers and pundits who are proclaiming that we are living in the age of “undead” capitalism where the free market state is a “zombie” that runs on default, seemingly unaware that all its life support systems are dead.

Diverging from these lines of analysis, this thesis attempts to put these developments into a more balanced and long-term perspective, arguing instead that what we are seeing is a subtle, but yet profound shift in thinking. We are perhaps experiencing the first stage in a development that could become a new regional, and perhaps global economic order. However, it might be one that is far more ambiguous than expectations of either a reinforcement of free market governance on the one hand, or a return to the social liberal compromise of the New Deal Coalition on the other.

In selecting my data I have deliberately avoided focusing on the financial crisis and the Recession, because I believe the preoccupation with these events in the mind of pundits have blinded them to the gradual nature of change in economic hegemonic discourses, let alone institutional development. I wanted not to explain a story of crisis management but a vision of the next America going forward, thus, not adding another chapter in the vast literature about the malfunctions of the free market economic model.

One of the greatest challenges in writing this thesis was figuring out how all the threads that I wanted to explain were connected and how to get them in my theoretical crosshairs without trying to explain everything, and thus explain nothing. If choosing such a broad *and* opaque topic constituted hubris and fool-heartedness, I may have added insult to my own injury by choosing to describe such recent developments as contemporary. In addition the international and domestic nature of economic discourses makes this a project for the academic equivalent of Doctors Without Borders. That America Studies gives the physician the multidisciplinary tools needed to tell the story has been a source of comfort to the writer.

Acknowledgements

I am indebted to my girlfriend Linn Katrin for putting up with my physical and mental absence during the most hectic periods of writing this thesis. I know that I have a substantial backlog of housework that awaits me. Know that I shall commence on the task of making amends with humble gratitude.

I also wish to extend my gratitude to Ljiljana Saric, Silvia Grassi and other staff involved in the ILOS program “Discourses of the Nation and the National” for valuable help and support along the way.

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List of Abbreviations:

CEA – Council of Economic Advisors

IPE – International Political Economy

ISDS – Investor-State Dispute Settlement

FTA – Free Trade Agreements. Refers to the Trans-Pacific Partnership (12 Asian Countries) and the Trans-Atlantic Trade and Investment Partnership (European Union)

MCE – Middle Class Economics

NAFTA – North American Free Trade Agreement

SOTU – State of the Union Address

*“The ideas of economists and political philosophers,
both when they are right and when they are wrong,
are more powerful than is commonly understood.
Indeed, the world is ruled by little else.”*

-John Maynard Keynes

1.0 Introduction

1.1 General Introduction

We are living in interesting times. Starting in the late 1970s, the United States witnessed an economic shift in thinking that would transform the institutional and political landscape of the U.S in profound ways. The welfare-regulatory state that had been established at great cost since the Great Depression was rejected as a defunct idea. The private market assumed was increasingly heralded as the solution to America's woes, and the sluggish government the biggest obstacle to the nation's greatness. In the private market American well-being could be maximized and the American Dream materialized. During the three following decades experts and elected officials extolled the virtues of the unfettered market. Markets were self-regulating, efficiency maximizing and inherently benign as a social order.

Beginning with a housing bubble burst in 2007-8, a protracted economical trauma shook the foundations of the free market order. Massive government funds had to plug the bottom of the economy, saving Wall Streets proudest and biggest institutions from dragging the American economy down into catastrophe. Mountainous debts were exposed, failing banks and businesses were nationalized, Social Security faced long-term insolvency. America had gone from the world's biggest creditor to the world's biggest debtor, now having to ask China to absorb more of the U.S bad assets. The state, once considered "the problem", was now back. These developments forced the issue of economic reform, and discredited the intellectual edifice of the unbridled market economy

As economic recovery has been ongoing for six years, and economic growth restored, one problem in particular has gotten worse: America's growing economic inequality. President Obamas efforts to address this issue have so far fallen short. Particularly the shrinking American middle class has gotten the President concerned. This thesis takes a look at the Obama Administration's latest and most coherent strategy for restoring the American middle class: **Middle Class Economics** (MCE)¹, launched in January 2015.

As a part of the MCE platform, The Obama Administration is pursuing an ambitious series of regional trade agreements that seeks to bring substantial part of Asia and Europe under a U.S-

¹ It should be noted that "middle-class economics" is a valid description for large parts of President Obamas policies, and as such could be

centered free trade regime. The free trade agreements (FTA) **TPP** (Trans-Pacific Partnership) and **TTIP** (Transatlantic Trade and Investment Partnership) is presented to the American public as the international component of MCE, and trade policies that will create “values-driven” type of globalization to replace the non-regulated system that currently exists. The FTAs are promoted as a “high standard” regulatory regime that will bring a more socially responsible form of economic globalization, conducive to middle class security and opportunity. But the past experiences with free trade has not been beneficial to the middle class, which makes the ambitions of these policies seem at odds with each other. And so far the Obama Administration has gone out of its way to negotiate these trade deals away from the prying eyes of democratic institutions.

There is no macroeconomic theory that is not at the same time a political philosophy. Thus, when President Obama explicitly launched his MCE program, he offered what he saw as a new political and moral vision for the future of the United States. Presented as a coherent economic plan to save the American middle class, MCE aims to provide economic *security* and restore *opportunity* for working Americans. However, in combination with free trade initiatives that claims to adhere to these same values. Although MCE does not directly challenge the workings of the free market and the structures that underpin it, MCE, could represent a partial abandonment of free market governance principles. The degree to which this might be the case is the object of this thesis. If the U.S government is “back”, which these very ambitious policies suggest, whom is the government serving? And how does Obama see the government’s role in the post-crisis America? Are we witnessing a democratization of economic policy?

1.2. Research Questions:

Through analyzing materials material on MCE and the FTAs released from The White House, I will to unearth their discursive foundations in relation to free market and welfare liberal discourses. Particular attention is paid to the component of discourse that seeks to fuse international ambitions of trade liberalization with domestic ambitions of promoting new middle class security. If adopted as intended, the TPP and TTIP will become an economic regime that covers most of the western world and substantial parts of Asia under the economic aegis of the USA. How does the Obama Administration legitimize free trade agreements in a

period when “free market” policies and economic liberalization is intellectually and morally drawn into question? And how are these free trade initiatives fused with middle class economics?

Thus I have formulated the following questions that seeks to explore the anatomy of MCE:

- How is the tension resolved between pursuing a free trade agreement and simultaneously championing an economic program that aims to benefit the middle class?
- Does Middle Class Economics challenge free market modes of governance, or reinforce aspects of it? I.e., how does it conceive of the relationship between the state and the citizen?
- How does the Obama Administration construct a “new citizen” that is congruent with the new economic vision for America. Is the role of the state now to make its subjects more attractive to transnational corporations, or to protect its subjects from corporate abuse?
- How is MCE and the FTAs communicated to the public as a coherent policy?

1.3 The Decline of the American Middle Class

In the aftermath of the Great Recession, debates about economic inequality in America have reached crescendo levels. Rapidly growing economic inequality and the adverse effects this is seen to have on social mobility has been elevated to the chief concern of President Obama, who is identifying these developments as the “defining challenge of our time.”² These fears are justified, though, as Oxfam in 2015 reported the wealth owned by the top 0.1% of Americans now is almost equal to the bottom 90% of the population. Also the top 20% of American households own 84% of America’s wealth, while the bottom 40% combine to own only 0,3 % revealing that large segments of the American population barely own anything.³ Combined these numbers have the U.S the most unequal of all “advanced” democracies, despite being the richest in aggregated terms. The slice of national income going to the top

² “Remarks by the President on Economic Mobility” (The White House)

<https://www.whitehouse.gov/the-press-office/2013/12/04/remarks-president-economic-mobility> Accessed Nov 01, 2015

³ “The Asset Price Meltdown and the Wealth of the Middle Class” (National Bureau of Economic Research)
<http://www.nber.org/papers/w18559> Accessed Nov 01, 2015

0.1% is higher now in 2015 than the peak years of the Gilded Age.⁴ Although, growth is back in the American economy, it has not reached the middle and bottom strata of American society. As such, the recovery of the crisis rather than the crisis itself has revealed the shortcomings of the unfettered market in obtaining a sustainable and growing economy.

The weakening of the American middle-class has been a gradual development over the last three decades. The end result has been stagnant median wages and rising costs of living for the majority of American households. Especially housing and education, which constitute the chief sources of physical and human capital of the middle class, has risen much faster than inflation. Alan Krueger, chairman of the Board of Economic Advisers to the President, defines the middleclass in economic terms as the group of people that are plus or minus (+/-) 50% of the average median income in America.⁵ In 1979 just over 50% of American household met this definition in America. In 2012, this figure was 42%, amounting to a transfer of wealth to the tune of 1.1 trillion dollars *annually* to the top 1%. In sociological terms we can define the middle class in line with the Obama Administration's own vernacular: The class of Americans enjoying a comfortable standard of living, with economic security, where work is derived from skills – most commonly from higher education.

Many explanations have been proffered to explain the shrinking American middle class. Prominent economists like Thomas Piketty, Joseph Stiglitz, Paul Krugman and others have argued that the free market economics and the lack of active economic policies in the U.S have caused this development. They argue that the natural tendency of the unfettered market is movement towards greater inequality, and that the middle class was created in America by conscious political decision.⁶ The White House is attributing the shrinking middle class to a combination of technological change and political decisions that have produced an economic system that have eroded the underlying foundations that the underpinned the middle class. These have been decline in unionization, skill-biased technological change, increased international competition, rising costs of services.

As the negative effects of inequality loom ever larger on the political scene, American politicians of all stripes are under pressure to address this issue. This combined with the success with which other countries have moderated economic inequality by active government policy, makes Americans increasingly aware that the American economic model

⁴ "America is the richest, and most unequal, country" (Fortune Comments)
<http://fortune.com/2015/09/30/america-wealth-inequality/> Accessed Nov 01, 2015

⁵ Alan B. Krueger, "The Rise and Consequences of Inequality in the United States", Council of Economic Advisers Papers (2012), 2

⁶ See: Paul Krugman. "How to save the middle class from extinction" Altnet.org (2007)

http://www.altnet.org/story/48988/how_to_save_the_middle_class_from_extinction Accessed Nov 02, 2015; Thomas Piketty, *Capital in the Twenty-First Century*, (Boston: Harvard University Press, 2013)

of free market economics – once considered an object of emulation – now is the most economically unequal of all advanced OECD countries.⁷ This coupled with the fact that economic inequality is connected to less social mobility means that the very cornerstone of American nationhood: the American Dream is increasingly becoming a myth. In America, 40 percent of children born in poverty will remain poor.⁸ In no advanced democratic country is your parents' income as good a predictor of your own income as the United States.

Free market ideology and the myths that have supported it have increasingly come under scrutiny by and increasingly vocal and emboldened group of intellectuals, economists, politicians and others. The inability of free market advocates to mount a credible defense in light of the mounting material evidence for the shortcomings of their model has relegated many of the free market advocates to the defensive. The economic debate in the U.S has widened after the financial crisis.

The American middle class is not only a prime target group of political courtship, but also a symbol of America as a moral society. The middle-class is both an American invention and the embodiment of the American Dream. Thus, the middle class can be considered the foremost carrier of American national identity and the health of the middle-class is what secures America pride of place amongst other “advanced” societies. Fears of “American decline” – a powerful discourse in present American politics, have thus been linked to the fate of the middle class. In American culture, economic inequality per se is much more culturally accepted than in parts of Europe, for example. Thus, the critique that is directed towards the free market advocates in the U.S today is one that is centered on “fairness” – fundamentally moral critique.

These developments have forced U.S policymakers and pundits of all stripes to engage in a debate about the assumptions of the U.S economic model and the ability of the market alone to solve these problems. The legitimacy and validity of free market economic thinking has suffered tremendous challenges in mounting a coherent and legitimate defense for the declining middle class. As economists, pundits, politicians and the public have become increasingly vocal in their protest of the “oligarchical” tendencies in the American economy, the very structure of the U.S' economy are drawn into question. Talk of economic redistribution, the “1%”, progressive taxation has abounded in American politics to New Deal era levels.

⁷ OECD Webpage <http://www.oecd.org/social/inequality.htm> Accessed September 28, 2015

⁸ Ibid.

1.4 Middle Class Economics

Middle Class Economics is a range of policies that aim to arrest the downward trend of the American middle class. The 2015 Economic Report to the President states that: “The ultimate test of an economy’s performance is the well-being of its middle class.”⁹ MCE thus aims to address the distribution of economic growth in America, since the American economy is currently in a phase of sustained growth, but this growth is currently flowing to the top income brackets. MCE takes a broad structural view of the American economy to identify the social causes the declining middle class. *Income inequality* is thus only a part of the total picture of middle class decline. The ambition of MCE is to move America in the direction of a more socially friendly economy. Taken together, MCE departs from free market economics in that the American government has to be a more hands-on actor in the economy.

The Obama Administration identifies three structural problems that it sees as the key to helping the middle class:

- *Grow productivity.*
- *Combat income inequality.*
- *Increase labor force participation.* (Percentage of working-age population in full time jobs)

The President’s economic advisers conclude that the American economy is performing sub-optimally. In fact, the 2015 Report calculates that if the American economy had continued its positive trend from the mid-seventies in respect to these three aspects, the median income for U.S households would be double what they are today, adding another 51,000 dollars to the average family.¹⁰ The solution to these problems as presented in MCE can be summarized as containing four areas of policy:

- *Raising wages for American workers.* Increasing the political power of unions.
- *Further developing the U.S as a “knowledge” economy.* Through more affordable education and job retraining.
- *Increasing the scope and quality of social security programs.* Increase labor force participation by enacting more family-friendly work policies like paid maternity leave, guaranteed state-paid sick leave and daycare, and other welfare initiatives to help families combine family life and work flexibility.

⁹ “2015 Economic Report to the President”, p.29

¹⁰ Ibid.p.33

- *Increasing the competitiveness of the American economy.*¹¹ Relates to the above policies, but the aim is to attract international companies by simplification of tax- and business regulations, and reductions in the effective tax rate paid by corporations. This latter point is believed possible by closing loopholes and stopping leakage abroad as a result of companies' use of "tax planning strategies" (tax havens).

TTP and TTIP, presented as part of the package, are seen as measures to boost the American economy and compatible with middle class economic security since they are both dynamic *and* fair. From the 2015 Economic Report:

[...] bilateral trade agreements can reduce the likelihood of bilateral conflict, as economic cooperation promotes political cooperation, though the relationship is less clear in a multilateral setting, perhaps because multilateral trade reduces the dependence of any one country on another. Trade can also facilitate the spread of new green technologies throughout the world, which decreases emissions, potentially outweighing any additional emissions associated with an increased scale of production, consumption, and transportation.¹²

President Obama stated in his 2015 State of the Union Address, that the "new trade partnerships" would "create more jobs".¹³ The FTAs are expected to boost the American economy and create more good paying jobs for American workers, as export industries generally pay higher wages than do non-export ones. However, many are still unconvinced by the Presidents reassurances, as the FTAs have only been able to garner support from 49% of the American population, according to a study by Pew Research.¹⁴ Therefore a task of the Obama Administration as the sponsor of the deals is to present them as beneficial for the American middle- and working class.¹⁵

However, trade agreements tend to create new winners and losers. Who are the winners in this new round of agreements? The driving question for this thesis is the appearance of a contradiction between pursuing new trade agreements at the same time as wanting to protect the American middle class. This means that the economic regime that is created must be coherent both domestically and transnationally to resolve the tensions between these contexts – a task that free market advocates never attempted, as markets were inherently beneficial and

¹¹ 2015 Economic Report to the President. pp.5

¹² Ibid. 292

¹³ Barack Obama, 2015 State of the Union Address, paragraph 23

¹⁴ Americans favor TPP, but less than those in other countries do (Pew Research Center RSS), <http://www.pewresearch.org/fact-tank/2015/06/23/americans-favor-tpp-but-less-than-other-countries-do/>

¹⁵ The first concern is the TPP, which is further along in the process of completion than its transatlantic counterpart. This will be discussed further in chapter four.

universal as in “one size fits all”. In order for MCE to resolve these tensions, Obama must develop a political economy that is explicit and self-reflexive around its social goals. This opens up the question of what constitutes legitimacy in post crisis America.

As the U.S is faring better than its developed world counter-parts in terms of relative growth after the crisis, President Obama has the chance to more freely design a new economic path. In terms of the pressures in the competitive global economy, the modest recovery of the U.S constitutes political leeway for Obama to address the institutional aspects of the American economy from a position of strength, as the introduction of FTAs, and the policy prescriptions in MCE demonstrate. Both in rhetoric and content, then, the Obama Administration is signaling the need for a clear strategic redesign the American economy. President Obama himself describes the ambitions: “Over the past six years, America has risen from recession freer to write our own future than any other nation on Earth. A new foundation is laid. A new future is ready to be written.”¹⁶

1.5 Free Market Capitalism in the USA

In order to analyze the discourses that provide the foundation for MCE, one must consider the broader social context in which these policies are formulated. Throughout this thesis the term free market capitalism will be used. A key analytical concept in this thesis is “free market capitalism” or “free market policies”. The concept of free market capitalism has been closely associated with the much-used term “neoliberalism”. Although the two terms are used interchangeably, this thesis avoids the term “neoliberalism” term for a number of reasons. First, neoliberalism, in its current usages, is a very broad term frequently invoked to describe everything from global to local developments, and can almost be considered a universal description for “capitalism” – as in classical Marxism. The term has been used to describe anything and everything (usually as a denunciatory category) consequently; its analytical value has greatly diminished. Second, the term neoliberalism is rarely used to describe developments inside the USA, mostly for the reasons above. The term is mostly associated with international developments, and the focus of this thesis is predominantly the domestic level of analysis.¹⁷ Third, the “neo” in neoliberalism obscures the fact that the core principles are nothing new in American political economic history and does not constitute a *substantive*

¹⁶ “2015 Economic Report to the President”, Council of Economic Advisers, p.5

¹⁷ Terry Flew. “Six Theories of Neoliberalism” (Queensland University of Technology, Thesis Eleven, June 2014) 122: 49-71, 54

evolution from economic liberalism's earlier form. Indeed, free market capitalism has a long lineage in American society, and its central principle of hostility towards "big government" can be traced back to classical political liberalism of the eighteenth century.¹⁸ Thus this thesis will use "free market economics" or "free market policies".

As a discursive formation, free market economics can be described as a non-static and non-uniform set of principles, values and practices which find idiosyncratic expressions in different historical and social circumstances.¹⁹ Core elements of free market economics in the USA have been; hostility towards government regulation in the economy; free market economic philosophy that emphasizes low taxes and tariffs to give maximum scope to market mechanisms; skepticism of welfare and social policy by the state, as this is seen to create welfare dependency and dampen entrepreneurial spirit; emphasizes the individual as the basic unit in society, and individual initiative as central to value creation; a moral conservatism and an emphasis on nationalism.²⁰ Free market advocates' antagonistic relationship with the welfare state has been defined by Andrew Gamble:

[Free market economics holds that] as many costs as possible should be shifted from the state and back on to individuals, and markets, particularly labour markets, should be made as flexible as possible...The presumption is always in favour of recreating the widest possible conditions for markets to flourish, which means removing as many restrictions on competition as possible, and empowering market agents by reducing the burdens of taxation.²²

Typically according to free market advocates, the *legitimate* functions of the state are: Protect and preserve stability in property rights; uphold the law and provide domestic order; secure the nation against foreign threats.²³ Outside this framework the state should not venture. This will interfere with the workings of the *market*, which is the supreme social organizing principle of free market societies.

Theoretically, free market economics are based on "new classical" economic theory, which have emphasizes microeconomic insights like of rational choice theory, and market efficiency to macroeconomics.²⁴ This theory has provided scientific support for the market as

¹⁸ This will be discussed further in chapter three.

¹⁹ Sean Hosking, "The Aspirational Citizen and Neo-liberal Hegemony: A Discourse Theory Analysis", Ph.D Thesis, (Faculty of Arts & Social Sciences, UNSW, 2011), 64.

²⁰ Sean Hosking, "The Aspirational Citizen and Neo-liberal Hegemony, 64.

²¹ David Harvey, *A Brief history of Neoliberalism*. (Oxford University Press, London, 2007), 9

²² Andrew Gamble, Neo-liberalism. *Capital & Class* 25:107, (2001), 132

²³ Marc Allen Eisner, *The American Political Economy*. (Routledge, New York, 2011), 9

²⁴ Flew. "Six Theories of Neoliberalism", 54

the natural organizational principle of any social order, and the ineptitude of intervention in markets by the state or any other non-commercial actors. Markets are here seen as benign in their social outcomes and therefore political intervention is distorting price signals and optimal distribution, thus producing sub-optimal outcomes. Markets are also universal in their application, so that the spatial proliferation of market institutions is seen as a natural process of harmonization and modernization. By David Harvey:

If markets do not exist (in areas such as land, water, education, health care, social security, or environmental pollution) then they must be created, by state action if necessary. But beyond these tasks the state should not venture. State interventions in markets (once created) must be kept to a bare minimum because, according to the theory, the state cannot possibly possess enough information to second-guess market signals (prices) and because powerful interest groups will inevitably distort and bias state interventions (particularly in democracies) for their own benefit.²⁵

Out of the many competing ideas on what America should be, the economic imaginary of the free market has been particularly attractive. Free market policies popularity after the 1970s can be traced to their increased political movement arising as a protest against the 1930s New Deal coalition and the postwar Keynesian welfare state, in the series of economic crises in the 1970s. Since the political resurgence of free market liberalism in the 1980s under President Reagan, these policies have been most commonly associated with the political Right in America. However, support for the free market economics can be found across the political spectrum among various groups.

For its critics, the free market economics has been seen to move politics out of the purview of economic processes, thus disabling the state to mitigate the negative effects of markets. Opponents of free markets, widely ranging from Keynesian welfare liberals to Marxists, have been concerned with the adverse social and institutional effects of unbridled markets. Particularly, the developments of economic inequality in America have been attributed to a lack of government regulation and provision of welfare. Thus those who oppose free market policies have turned to the state to curtail these developments.

Frustrations over the U.S governments lack of ability or will to curtail the negative workings of the market have been the focus of more moderate free market critics. Politicians who are deferring to the private and market have added to the frustrations. Thus many feel that modern politics has lost sight of political economy, supporting a view that the global economy is beyond state control and that political institutions are either mere servants of the

²⁵ Harvey, *A Brief history of Neoliberalism*, 6

global economy or powerless to resist its economic pressures. In connection to the recent debates about economic inequality and the shrinking middle class, the structural aspects of economic growth have been more explicitly focused on in economic debates. Here MCE comes in as a sign that faith in free markets may be inconsistent in the long term with core American values.

1.6 The U.S' Autonomy in Global Capitalism

Since this thesis is concerned with international FTAs and the autonomy of the Obama Administration to design national economic policies, there need to be some concept about the role of the U.S state in relation to the global capitalist system. Economic globalization is for the purposes of this thesis understood as the combined effect of “technological, economic, and political innovations that reduce barriers to economic, political and cultural exchange”, citing renowned IPE scholar Daniel Drezner.²⁶ A common conception that has arisen in the U.S together with the celebrating of the unbridled market is that the state is beholden to the transnational financial markets and that the state has surrendered its powers over the economy. Susan Strange noted this development early in her 1996 book *The Retreat of the State*, where she held that as a consequence of the free market policies and economic liberalization of the late seventies and early eighties, a form of economic governance where markets were displacing states had come into being.²⁷ Echoing this conclusion, critics of economic globalization have focused on the universal logic of the international financial architecture and the general tendency of *convergence* on economic policy that this structure has produced. Thus, states have little influence over global capital. There is much truth in these claims, but they underestimate the power of states.

Central in the power transition away from the state has been the spatial fragmentation of production processes. This phenomenon, associated with the term “post-Fordism” has been one of the defining characteristics of economic globalization. Whereas Fordism traditionally has been used to describe a system of mass production of one single good at one location, post-Fordism describes the transnational production chain. The increased trans-nationalization corporations and the eroding of national allegiances of corporations that undermine national legislation have presented challenges for governments in creating economic policies against

²⁶ Drezner, Daniel W. (2005) “Globalization, harmonization, and competition: the different pathways to policy convergence.” *Journal of European Public Policy*, 12:5, 841-59, pp.841

²⁷ Susan Strange. *The Retreat of the State: The Diffusion of Power in the World Economy*. New York: Cambridge University Press, (1996).

these interests.²⁸ Private corporations are increasingly “restless” and can play governments off each other in order to gain the most favorable regulatory environment. In the eyes of its critics, this structural dynamic is the chief cause of the erosion of the middle class by undermining the power of labor unions and creating a “race to the bottom” dynamic. Those who have been threatened by these developments have prompted many to want the state to protect the American workers from this dynamic. Under the postwar Bretton Woods regime, the curtailing of international capital was seen as necessary to ensure the U.S and other governments the leeway to shape national politics according to social goals. Thus, the FTAs that the Obama Administration is pursuing have been met with great suspicion, as trade liberalization has been attacked as a prime cause of the declining middle class historically in the USA. There exists tensions between the international capitalist system and the need for national autonomy, but these tensions can be ameliorated with government regulation, and this is the ambition of MCE, which we return to in chapter 5.

However, in the world after the financial crisis we have seen indications of a reversal of this trend.²⁹ After all, when considering the Nordic countries, Germany, China, France, we see that there are more than one way to “deal with” economic globalization. These idiosyncrasies tell us that there is room for different state strategies in capitalist development. Theoretically this is especially the case for the U.S, which is the mightiest nation on earth in economic terms. According to renowned IPE scholar Daniel Drezner, power, in the global economy, comes from having large internal markets: “A great power has an economy of sufficient size and diversity such that it acts as a natural attractor for profit-seeking actors while being able to rebuff potential coercers. Great powers are price-makers, not price-takers – they have ‘go-it-alone’ power.”³⁰ The United States’ support for globalization has been crucial in the shaping of the global economy, and an open global economy has reflected American domestic political interests and its hegemonic position in global affairs.³¹

This implies that there is, contrary to the Universalist line of thinking on the global economy, room for the U.S to maneuver in economic policy. Theoretically speaking then, there is insurmountable structural barrier that prevents the U.S from pursuing economic policies that go against global capital. Domestically, though, there the picture can arguably be different.

²⁸ Marc Allen Eisner, *The American Political Economy*. (Routledge, New York, 2011), 9

²⁹ Eisner, *The American Political Economy*, 9

³⁰ Drezner, “Globalization, harmonization, and competition: the different pathways to policy convergence.” pp.843

³¹ Eric Helleiner. *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s*. Ithaca, NY: Cornell University Press, (1994), 15

In some aspects, the USA is facing one of the same dilemmas that was the *raison d'être* for the Bretton Woods agreements: How to create an international liberal trade regime, while at the same time retaining national and local autonomy? How to get most the benefits, but few of the drawbacks of globalization? As John Gerard Ruggie commented on international economic regimes: they do not just reflect power relationships, they reflect values and cultures. Thus the particular values and political ideas that international trade regimes emerge out of will be reflected in the regime. As international institutions are snapshots of the conditions, values, power-relationships that created them, the discourses that go into the creation of MCE can become hugely important in shaping the economic globalization of the future.

1.7 Structure of the Thesis

After this introductory section, chapter 2 addresses the methodological aspects of the thesis. I define discourse, state my theoretical and methodological approaches, and present the scope of discourse analysis as the study of language in social research. Following this is a presentation of my methodological approach and my data selection. Thereafter is a short outline of the most important secondary sources that provide the theoretical inputs that the study has drawn upon. Chapter 3 is a straight historical narrative, where I analyze the structural aspects of economic institutions in the USA from the start of the free market thinking as an economic outgrowth of political liberalism up until the events of 2008; the financial crisis and the election of Barack Obama. Chapter 4 picks up where chapter three left off, and offers a take on the recent situation in the U.S that will lay premises for analysis in chapter 5. Also here, I outline the FTAs and their geopolitical significance for the U.S. Chapter 5 consists of discourse analysis of the data selected from the White House. This chapter is organized according to my four research questions as stated in chapter 1: How MCE is communicated to the public; How MCE is shaped as a part of the TPP and TTIP free trade agreements; How MCE conceptualizes citizenship; and finally, how MCE communicates a specific view of the new “model American”. Finally, in chapter 6, I summarize my findings and connect these to the thesis questions.

Chapter 2 – Methods

This chapter presents an overview of the different methods availed in the thesis. I first explain how I approach discourse analysis, then I explain the other method used where I analyze the dialectics of culture and institutions in of American political economy.

2.1 Theoretical Foundations of Discourse Analysis

As this thesis relies on discourse analysis to analyze the textual data released from The White House, it is important to define what is meant by discourse and how thesis thesis goes about analyzing it. Discourse is a term used to identify “webs” of meaning located within a historical and social context that *represents*, *interprets* and in turn *reproduces* material and social reality. Thus broadly speaking we can say that discourses are “a particular way of talking about or understanding the world”.³² Discourses can be seen as a process of constructing *semiosis*, which includes all forms of communicative *meaning*, like for example body language, textual language, architecture, symbols, etc. Consequently semiosis is something that comes into being when it is interpreted by another human being, thus semiosis is dialectically related between social elements. Norman Fairclough describes the following elements as relating to the construction of discourse through social practice: Productive activity, means of production, social relations, social identities, cultural values, consciousness, semiosis (language). These elements are in a dialectical relationship with each other, and cannot be separated in a meaningful way. DA as an analytical approach aims to look at language and see how semiosis relates to these other elements.³³

Discourse as an analytical concept, becomes fruitful when crystallizing patterns of semiosis occur and play out over time or between different social spheres.³⁴ Therefore discourse analysis (DA) is located in the field of social constructivism. This thesis deals with an analysis of discourse mediated through texts. Also, it rests to a large extent on the theoretical framework of Critical Discourse Analysis. However, it does not adhere to the specific three-staged method developed by Norman Fairclough.

³² M. Jørgensen & L.J. Phillips, *Discourse analysis as theory and Method* (London: SAGE, 2002), 1

³³ Norman Fairclough, and Isabela Fairclough. *Political Discourse Analysis*. New York: Routledge, (2012), 107

³⁴ Ibid.

The general epistemological position on DA is that the way we talk about the world will reflect our understanding of it, and can never be more than “claims” on truth. We must therefore talk about truths in the plural. Language and context are constantly changing in relation to each other in a fluid relationship. Binaries such as “natural” vs. “un-natural”, “fair” vs. “unjust” etc. can never be seen as fixed, but must be seen in relation to culture and legitimacy. When we communicate we are, consciously or not, challenging or reinforcing discourses in a process of meaning making. This process will lead to different courses of action being taken, and as such have material *consequences*. Texts can in this sense be *productive* in a Foucaultian sense. Discourse in general is both socially constitutive and constituted.³⁵

That being said, a central point of divergence in the theoretical foundation of different approaches to DA, is these epistemological and ontological premises that regard the role of language in the material world. In other words the different schools of DA differ as to the *degree* in which language can in fact represent or change the construction of the material world. CDA is rooted in the post-structuralism of Michel Foucault, Slavoj Žižek and Gilles Deleuze and others, which understands meaning as normative and socially *constructed* to a large extent, but as opposed to Discourse Theory (DT), CDA reserves a bigger role for non-discursive elements, whereas DT tends to see the entire social realm as discursively constructed. For Fairclough, DT overemphasizes the ability of structurally marginalized groups to challenge discourse hegemony. Some social groups do not have access to discourses on the basis of class, gender or race, for example.³⁶

The theoretical assumption of this thesis is derived from CDA, as the importance of structural and political-institutional aspects of both the U.S domestic and international economic factors is seen to provide important material and cultural premises for action, and thus limiting the role of discourses in bringing about change by themselves. This perspective is necessary to understand President Obama’s position as a politician hoping to bring about practical change under structural limitations. Politics - famously the art of the “possible” - is different for an incumbent President than for someone in opposition. Although there is theoretically considerable leeway for Obama to shape economic policy in the USA currently, he is still beholden to structural limitations internationally and domestically. Discourses do not only reveal structural power, but can also mask such powers by operating independently of real power, or by creating the illusion of power (as is a tendency in political discourse).

³⁵ Jørgensen, *Discourse analysis as theory and Method*, 1

³⁶ *Ibid.* 1-2

In addition to presenting his own policies, Obama's role is to persuade and to provide people with the reasons for acting in a certain way. The way President Obama speaks about America will not only affect the way Americans make sense of reality, but will also seek to reinforce or alter certain kinds of social behavior, as discourse can shape the subjects understanding of material reality. In political discourse it is important to note that discourses are not only a way to describe social reality as it is but also used to construct a version of the world as it *should* be.³⁷

As Americas ultimate elected official of President Obama is both a product of this culture, but its chief articulator and driver. As the President, Obama's use of language can be a powerful account of what is "acceptable", or conventional wisdom. As President of the United States and a gifted orator, President Obama is in a powerful position to shape discourse. His speech represents a represents "officialdom" and gravitas, which gives his version of reality very real influence. President Obama's rhetoric thus serves as a convenient measure of the discursive power relation between the free market centered economic discourses and the legitimacy of the government, represented by Obama, to intervene in the market economy.³⁸

Also, the "critical" component in CDA is a premise in my methodology. Thus I am not only analyzing the discourse from the White House to describe its policies in relation to free market discourses, but I also want to evaluate them in terms of their devotion to the particular goal of structurally addressing economic inequality in the U.S and relieving middle class hardship.

For the purposes of looking at the data selected form the White House, I have followed a three-pronged approach to the selected material as recommended by Fairclough: *First*, I do a general analysis of the texts where I look to what discourses are present whether they support of challenge my thesis. The task is to systemize and prioritize these into patterns that make discourses stand out. Then I evaluate the communicative nature of these discourses.

Second, I consider at the discursive practices that surround the creation of the text. As this thesis deals with two main types of sources, political discourse and economic technical discourse, the treatment of these two types must be different since they vary in in their respective audiences and how meaning is produced, and the function of the texts. Political discourse from an incumbent president tends to be more practical and seeks to garner public support for a set of concrete policies, while the Economic Reports to the President are economic technical jargon that

³⁷ Norman Fairclough, and Isabela Fairclough. *Political Discourse Analysis*. 103

³⁸ This point will be discussed further in chapter 4

contains an economist's view of the American economy to the President. The aim is to discover how the texts interact in social reality, i.e. their *instrumentality*.

Third, the broader social context in which MCE is a response to is considered. The broader context considered in this thesis is the post financial crisis U.S and the narratives that have arisen from this event and the subsequent negative developments. A part of the post financial crisis narratives (but not excluded to this development) is the more broadly applied "American decline" narrative. The "decline" narrative has tended to find expressions in periods of American history, where U.S sees its dominance or identity challenged, either by external or internal factors.³⁹ But recently this narrative has been a consistent theme of American politics. Many of the reasons for this arose under the presidency of George W. Bush, and a public sense of mismanagement of the nations affairs during this period. The unchecked rise of China, outcompeting the U.S in the global economy; mishandled wars in the Middle East; American troops responsible for human rights violations; America as the worlds biggest debtor, etc – all are part of the picture of "American decline" in *addition* to the financial crisis and the great recession. Thus, MCE is not just a return to more sound economical policies, but is part of a broader moral re-orientation of America as President Obama sees it.

I have started by locating the texts that are the most publically visible, in terms of viewer rating and availability. This is what has lead to the priority of the selected material. One discovery that is quickly made is the consistency in the President's rhetoric. The arguments, narratives, motives, signs, and examples put forth are subtle variations on a single theme, and thus add to the impression that the presidents use of discourse is strategic. This is hardly a surprise, given the professionalization of speech writing in high politics, but it has the added benefit of tidiness for analytical purposes. Therefore this thesis is focusing more in detail on a concentrated set of data, as it is assumed that the formulations are tested on focus groups over and over to find the most effective language, and, as such, the discursive choices are unlikely to change short of a dramatic change in circumstance.

2.2 Key Analytical Concepts and Terminology

This thesis avails itself on the analytical terminology developed by Ernest Laclau and Chantal Mouffe in relation to Discourse Theory. This terminology is widely used in other discourse

³⁹ For example, the economic rise of Japan and other "tiger" economies were widely interpreted as a sign of American decline in the 1990s. See, for example: Kennedy, Paul M. *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000*. New York, NY: Random House, 1987.

analysis approaches, including Fairclough's Critical Discourse Analysis. The concept of *antagonism* represents a conflict between discourses that have opposition meanings. The notion of a *sign* or *signifier* denotes a particular meaning to a word at the expense of alternative discourses. Thus signs are important as sites of contestation. When a sign is ambiguous in terms of lending itself to different discourses, I will be using the term *fluid sign*.⁴⁰ The different discourses are thus competing to attach a definitive connotation to a fluid sign. If successful, the sign has now been *re-contextualized*.

Another key concept drawn from this terminology is the idea of a *nodes*, and *nodal points*. A *nodal point* is a place in the text from which a discourse seeks to establish a web of meaning. This usually starts from a privileged signifier from which the connected words derive their meaning. Nodal points can also function as *empty signifiers* which can be attributed multiple meanings. This category can serve as to invite the receiver to fill with his or her own meaning. For example the word *freedom* can serve in both positive and negative form, and can depending of the context be attached multiple meanings. Discourse can also be comprised of different *strands* of other sub-discourses. For instance free market discourses consists of several other strands of discourse that has been incorporated into it. The use of this terminology in linguistic analysis in this thesis is applied in most detail to the speeches of President Obama, and not to the other textual data. This choice of methods is grounded in the assumption that the President's speeches are very sophisticated products of language, where words, phrases and imagery is carefully chosen by professional speechwriters and tested on focus groups. For this reason, importance in analyzing linguistics at the sentence level can reveal more than more prosaic types of textual sources.

2.3 Hegemonic Discourses and Economic Structures

As this thesis will describe in chapter 3, different economic theories on state economic governance have been hegemonic at certain times in American history. These in turn have been shaped by discourses and created power discourses about the function of the state in national economic governance. Chapter 3 is therefore a structural analysis on institutions that aims to augment the cultural analysis in the DA section. This chapter is straight historical narrative with the goal of outlining dialectical patterns between free market economics and

⁴⁰ M. Jørgensen & L.J. Phillips, *Discourse analysis as theory and Method* (London: SAGE, 2002), 69.

the state as a robust actor in the U.S economy. Thus the focus is on the two different groups – the free market advocates and the “Keynesian” welfare liberalist advocates – and their respective bids for the power to determine the function of the state in the economy. Of course, the political economy of the united state is a much more nuanced conversation than this, and dividing this section into two opposing views is an oversimplification. This is done for analytical clarity and the long time frame of this chapter needs an overall structure in order not to be too all encompassing. This dialectic between two ideas of the state serves as a meta-theory on the legitimacy of the state in the economy. Chapter 3 sets up the framework for a cultural analysis in chapter 5, which deals with MCE specifically, and helps to determine if we are in fact seeing a broadening of the political economic debate today.

When we are doing structural analysis of institutions we can find help in Fairclough’s model for hegemonic discourses. Chapter 3 thus is structured around these stages:

1. A crisis in the existing social order breaks down hegemony of a discourse, and opens up for different ideas and social groups to challenge the status quo.
2. New discourses emerge who offer an explanation and a solution to the crisis, which constitute "imaginaries" for a new socio-economic order.
3. Discourses compete for dominance. Potential for new discourses to supplant the hegemony of the old across social fields and scales.
4. If a new discourse becomes hegemonic, it produces identity and behavioral change in institutions, which can shape the material world.⁴¹

Important to keep in mind is that hegemonic discourses have great capacity to adapt to changing circumstances, thus these transitions are usually slow. As John Kenneth Galbraith has stated: “ideas are inherently conservative. They “yield not to the attack of other ideas, but [...] to the massive onslaught of circumstances with which they cannot contend.”⁴² By occupying and developing a language around fluid signifiers, they are often able to hold together disparate or contradictory logics and values in order to stay relevant. By actively seeking out a vocabulary of fluid signifiers, hegemony is able to perform even though the circumstances have changed. As Laclau argues, the vocabulary of such discourses is “always going to be imprecise and fluctuating, not because of any cognitive failure, but because it tries

⁴¹ Norman Fairclough, “Blair’s contribution to elaborating a new ‘doctrine of international community’” *The Soft Power of War: Legitimacy and community in Iraq war discourses* Edited by Lilie Chouliaraki [*Journal of Language and Politics* 4:1] (2005): 41–63.

⁴² Galbraith, *The Affluent Society*, 17.

to operate performatively within a social reality which is, to a large extent, heterogeneous and fluctuating.”⁴³

As we will explore in chapter 3, the relationship between discourse and institutional change is not easily theorized, but certain social elements that determine discourse are re-contextualized and filled with new meaning.

The data from the White House is analyzed using the terminology developed by Laclau and Mouffe, drawing on the critical perspectives and stages of discourse hegemony from Fairclough’s CDA. Therefore this thesis is a *multiperspectival* approach to discourse analysis.

As the purpose of this thesis is the demonstration that we are first and foremost experiencing a shift in ideas, and then perhaps institutional developments (although the two are related), I place the realm of international power politics as largely residing outside the realm of ideas. Power politics, in my view, produces varying degrees of - or need for - discourse, but is only rarely shaped by discourse alone. In line with CDA, the acknowledgement of non-discursive elements is important in the international sphere. As Karl Rove allegedly said to President Bush the younger in 2004: “We’re an empire now, and when we act, we *create* our own reality.”⁴⁴ The sheer material resources that can potentially be mobilized for a particular cause can change discourse by overwhelming competing discourses. The advent of free market in the USA was not all about persuasion and the power of ideas: the suppressive force of the state and private actors was mobilized in an effort to crush the groups where alternative discourses circulated. Thus, I reserve power interests as to a large degree constant in terms of Realist logic, and thus these aspects of the theses are seen as in the non-discursive reality.

For this reason I have chosen a relatively recent timeframe of starting with the 2014 State of the Union Address, as this is speech is the first after significant economic recovery, and thus marks the beginning of the movement towards middle class economics. However the full thrust of this program is launched in the 2015 State of the Union Address, which marks the start of the explicit MCE the sum of which policies will be the President’s blueprint going forward.

⁴³ E. Laclau, *On Populist Reason*, (Verso, London, 2005), 189.

⁴⁴ Mark Danner, “Words in a Time of War: On Rhetoric, Truth and Power,” in *What Orwell Didn’t Know: Propaganda and the New Face of American Politics*, ed. András Szántó, (Public Affairs 2007), 17.

2.4 – Data

For the purpose of answering my research questions I am choosing to analyze key speeches made by President Barack Obama, as well as the economic reports on which these are based, plus other published material from the White House. The task is to search these data for discursive elements that is deployed by President Obama is championing these new policies, and secondly to put these elements in the wider context of international strategy. I have particularly been using the White House Web pages, which provide a very pedagogical and comprehensive presentation of the new economic plan. All the primary sources have been located online and are official from the U.S government. These include:

- The “**2014 State Of the Union Address**” delivered by President Obama in the House of Representatives, U.S Capitol January 28 of 2014.⁴⁵
- The “**2015 State Of the Union Address**” delivered by President Obama in the House of Representatives, U.S Capitol January 20 of 2015.⁴⁶

As state of the Union Addresses, these speeches constitute the biggest outreach of the president in terms of audience. The address’ political significance is considerable and constitutes one of the most important yearly events of the Presidency. The Address is a mixture of a “summing up” of the year that has past, as well as outlining the President’s legislative agenda and the priorities ahead. Therefore it presents an opportunity to analyze both policy priorities and presentation in one speech. The limited time of the speech combined with the tradition of a weighted summation of Presidential priorities, means that what does get mentioned – and particularly what does not get mentioned – is of importance. For the purposes of this analysis, the State of the Union Addresses, particularly the 2015 Address is devoted almost in its entirety to the Presidents MCE Plan. The 2015 Address by President Obama was broadcasted on 13 TV networks, reaching a TV audience of 31.7 million viewers, thus.⁴⁷ On social media the speech was mentioned in 2.6 million tweets, reaching 9,7 million users. The Address is global in outreach, as these speeches are picked up by news agencies worldwide.

⁴⁵ A full transcript can be located at the White House Home Page: “Remarks by the President in State of the Union Address | January 20, 2014”, <https://www.whitehouse.gov/the-press-office/2014/01/28/president-barack-obamas-state-union-address> Accessed September 01, 2015

⁴⁶ White House Home Page: “Remarks by the President in State of the Union Address | January 20, 2015”, <https://www.whitehouse.gov/the-press-office/2015/01/20/remarks-president-state-union-address-january-20-2015> Accessed September 01, 2015

⁴⁷ “31.7 Million Viewers Tune in to watch Pres. Obama’s State of the Union Address” Nielsen Media <http://www.nielsen.com/us/en/insights/news/2015/31-7-million-viewers-tune-in-to-watch-pres-obamas-state-of-the-union-address.html> Accessed August 31, 2015

Connected to the Addresses are the annual *Economic Report of the President*, (hereafter 2014 or 2015 Report) which are prepared for the President by the Council of Economic Advisors (CEA) – an independent Agency under the Executive Branch. The economic plans that the President present to Congress are based on the CEA’s Report, and they constitute the fine blueprint for the President’s economic policy going forward. Therefore the reports of 2014 and 2015 are given special attention, since they contain the details behind the Addresses:

- 2014 and 2015 *Economic Report of the President & The Annual Report of The Council of Economic Advisors*. Presented to the President annually.^{48 49}

In regards to the FTAs, President Obama’s championing has been fervent, although the details have been opaque, to say the least. As details on the FTAs are restricted to a handful of people with privileged access, this thesis is unable to scrutinize this data. This serves as the foremost motivator for my critical interest, and thus I have consulted the best available secondary information on this aspect of the thesis. Even in the scholarly literature available, the treatment of these FTAs is frustratingly lacking in critical perspectives. I have thus focused on how the FTAs are communicated as part of a package of new economic policy initiatives by the President, while augmenting my understanding with various official sources. The below speech constitutes President Obama’s outspoken public defense of the FTAs. This speech is given to the Business Roundtable in Washington, which is a forum group for corporate interests:

- **“Remarks by the President at the Business Roundtable”**, delivered by President Obama in Business Roundtable Headquarters, Washington D.C December 03, 2014

The selected material is ample data to analyze the official narration of MCE. The contextual and theoretical material I shall be drawing from various articles, books and websites on the subject. My **secondary sources** thus includes:

Key terminology, periodization and other theoretical insights on the international dimensions of *laissez-faire* and Bretton Woods will be drawn from Karl Polyani’s *The Great Transformation* (1944), who described the relationship between the market and the state as

⁴⁸ 2014 “Economic Report of the President & The Annual Report of The Council of Economic Advisors”, whitehouse.gov

⁴⁹ 2015 “Economic Report of the President & The Annual Report of The Council of Economic Advisors”, whitehouse.gov

inseparable, resulting in what he dubbed the “Market Society”.⁵⁰ Building on this Polanyi, John Gerard Ruggie’s article *International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order* (1982)⁵¹ provides the concept “embedded liberalism”, to describe the postwar compromise where Keynesianism became the global norm. The concept of *hegemony* will be drawn from the critical theories of Robert Cox (1987) *Production, Power and World Order: Social Forces in the Making of History*⁵² and the theories of Fairclough mentioned above. The concept of hegemony sees society as a struggle for power between actors both domestically and internationally. This struggle produces contest and antagonistic relations between actors with divergent goals, and tends to produce winners and losers. This is a central premise of the entire thesis, and power relations are central to the analysis of the texts. The international theoretical framework that underlies the foreign policy assumptions of this thesis is that of neo-realism. As such, this thesis assumes the backdrop of a regional contest for power between the blocks USA, China and the EU as a driver of international policy decisions.

The concept of *governmentality* and the productive nature of power within a liberal regime are drawn from Michel Foucault’s essays on Biopolitics and other writings.⁵³ A historical dialectical relationship between “ascetic” and “moral” discourses in capitalism, and other insights are from the book *New Spirit of Capitalism* (2007), which is also Boltanski and Chiapello’s term for parts of the return of free market fundamentalism as the economic ideal in 1980s.⁵⁴

⁵⁰ Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Boston: Beacon Press, 2nd Edition, 2001).

⁵¹ J. Ruggie, *International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order*. (International Organization, Volume 36, Issue 2, 1982)

⁵² Maxime Quillet, “Cybernetic Capitalism and the Information Society,” in *Cultural Political Economy*, ed. Jacqueline Best & Matthew Patterson, (Routledge, New York: NY, 2010), 184.

⁵³ Michel Foucault, *Naissance de la biopolitique: Cours au Collège de France, 1978-1979*, (Paris: Seuil/Gallimard, 2004).

⁵⁴ Luc Boltanski & Eve Chiapello, *The New Spirit of Capitalism*, (New York: Verso Books, 2007).

Chapter 3

3.0 Institutional Dialectics of Market and State

This chapter outlines the history of the political economy of *laissez-faire* in the United States, and the institutional consequences this has had in the U.S. The aim is to outline historically inspired by Faircloth's model in chapter 2 on how economic thinking and institutional change happen when an existing order is subject to crisis. Although the circumstances that bring about these shifts in economic thinking have varied substantially, we will not generalize here more than to remark as John Kenneth Galbraith: "Ideas come to be organized around what the community as a whole or particular audiences find acceptable."⁵⁵

3.1 *Laissez-faire*

Classic economic Liberalism's intellectual roots run back to Adam Smith, Joseph Townsend, David Ricardo, and Thomas Malthus. Although diverse, these thinkers all attempted to theorize and systemize into a comprehensive framework the ideas of *political* liberalism of John Locke and Thomas Hobbes. The discourses of liberalism in this early period of American history became coached in a particular variant of classical liberalism where criticism of the power of monarchs, clergymen and aristocrats constituted an alternative to the feudal power structure, which was seen as illegitimate and incompatible with modernity. Liberalism in this sense is the idea that the reach and power of the government should be limited to allow personal freedom. Political liberalism is thus intrinsically connected to the freedom of the individual, and became a central theme in American political speech.

A central safeguard of political liberalism was the right to private property. The universal application of property rights was seen as a guarantor against political abuse by the state, which should not grant special economic privileges for certain groups or classes in society. What the *laissez-faire* culture added as a central economic insight to political liberalism was the notion that individualism was not contrary to, but rather *conducive* to the broader public good.⁵⁶ This insight is generally traced back to the writings of Adam Smith,

⁵⁵ John Kenneth Galbraith, *The Affluent Society*, (New York: Houghton Mifflin Publishers, 1958), 7.

⁵⁶ To be sure, the meaning intended by Smith has been subject to considerable debate to less of an unproblematic support of the unbridled market. For more on this see: Kalle Moene, "Adam Smith i 250" in *Dagens Næringsliv*, August 15, (2009).

who fathered political economy as a field of inquiry. He held that individual pursuit of maximizing personal good, simultaneously and without knowing it, produces beneficial outcomes for the rest of society. Smith called this idea by a the metaphor “the invisible hand”:

The rich [...] divide with the poor the produce of all their improvements. They are led by an invisible hand to make nearly the same distribution of the necessaries of life which would have been made, had the earth been divided into equal proportions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of the society, and afford means to the multiplication of the species.⁵⁷

The ideas contained in classic economic liberalism of this early phase of political economy saw state intervention in the economy as associated with mercantilism or even worse, feudalism. The solution to safeguard individual liberty was conceived as creating a series of separations: The church from the state; the economy from the state; of moral and custom out of the family. A common contemporary reading of the invisible hand myth (which would become central to later free market fundamentalist interpretations), is the logic of libertarian individualism, where society is seen as constituted by and contingent on the pursuit of personal gain. Personal gain is inherently conducive to the “public” good, and state intervention in the market is invariably contrary to the public interest, later theorized as the “efficient market hypothesis”. The *laissez-faire* culture saw men in this market as atomized economic entities – a *homo economicus* – which pursued utility for itself and who in effect owed nothing to society.⁵⁸ Although the *laissez-faire* culture touted the minimal involvement of the state in economic affairs the relationship between the state and the American citizens grew in the 1800s. The growing influence of the “Hamiltonian” system in America during industrialization furthered economic nationalism, protectionism and the expansion of economic regulation –all which ran counter to the ideals of *laissez-faire*. However, an argument for protecting the interests of capital, the discourses of *laissez-faire* commanded great political and cultural influence.

With the advent of the industrial economy in the United States, other threats to individual freedom arose in the form of concentrated economic power in the hands of an economic elite. Here, the central disbursts of *laissez-faire* that cherished individual freedom became vexed between concentrated political- and economic power, and opened up a central paradox that has been the focus of many critiques against free market fundamentalism. The critics of *laissez-faire* pointed out this inherent contradiction. Indeed, Alexis de Tocqueville

⁵⁷ Adam Smith, *The Theory of Moral Sentiments*, Part IV Chapter 1

⁵⁸ Hosking, Sean. *The Aspirational Citizen and Neo-liberal Hegemony A Discourse Theory Analysis* (Ph.D thesis) University of New South Wales, (2011), 78

had issued a stern warning in his famous *Democracy in America* against the perversion of personal freedom doctrines turning into illiberal result: “If ever again permanent inequality of condition and aristocracy make their way into the world, it will have been by that door [manufacturing] that they entered.”⁵⁹ However as developments of the “Gilded Age” progressed, the discourse of individual freedom and non-intervention by the state now ironically served as a justification for *economic* illiberalism.⁶⁰

Laissez-faire’s credence as an economic culture also had institutional advantages in the USA from the beginning of its foundation. Notwithstanding the Founding Fathers’ emphasis on egalitarianism and populism (anti elite), laissez-faire found good structural conditions in America from the opposite side of the egalitarian coin: the American skepticism to democratic politics – a skepticism that had since the inception of American political institutions been represented by the moneyed interests. This sentiment is perfectly expressed in the *Federalist No. 10* by John Madison, where he warned against democratic populist politics as a potential threat to America’s capital class. To guard against this “factionalism” in political institutions, property rights needed to be secure and put beyond the purview of the state, since the population was fallible and prone to serve special interest that could be contrary to capital investments. Thus, parts of the American political institutional structure are conducive to a weak and ineffectual state by design, which in a way created the *laissez-faire* state. Thus, if the state was to play a more active role in the economy, it would have to develop the mandate and wherewithal to do so, and this development would be slow in making.

Later, John Maynard Keynes in an article titled *The End of Laissez-Faire* published in 1926 saw this inherent elitism as the only this that supported the *laissez-faire* culture. He lamented:

[...] individualism and *laissez-faire* could not, in spite of their deep roots in the political and moral philosophies of the late eighteenth and early nineteenth centuries, have secured their lasting hold over the conduct of public affairs, if it had not been for their conformity with the needs and wishes of the business world of the day. They gave full scope to our erstwhile heroes, the great business men [sic].⁶¹

In moral terms, *laissez-faire*, with its emphasis on libertarian individualism and the moral superiority of private initiatives gave credence to an economy where the strong were entitled to what they could take, and the weak had to be disciplined by the mechanisms of

⁵⁹ Alexis de Tocqueville, *Chapter 20: How an Aristocracy may be Created by Manufacturers*. http://xroads.virginia.edu/~HYPER/DETOC/ch2_20.htm accessed September 12, 2015

⁶⁰ When we say that *laissez-faire* were the economic paradigm for a period, it is not intended to paper over the vast transformations in the American economy during the period. It was the organizing principle of the economy during this period and served as the *raison-d'état* for institutions in the economy, and restrained political interference herein.

⁶¹ John Maynard Keynes, *The End of Laissez-Faire*, Part III, (1926).

the market. *Laissez-faire* could as such become fused with the ideas of social-Darwinist theories of Herbert Spencer in this “natural law” that touted the survival of the fittest in a market economy. The market in this meaning functioned as an adjunct of “nature”. Hence, the health of the economy depended on the non-intervention by politicians and others, lest it disturb the process of obtaining the natural order. *Laissez-faire* gave rise to an amoral Neo-Darwinist discourse that served as its explanation and justification for social hardships. Far removed from the liberal roots of the left from which it sprang, economic liberalism now invoked to justify individual hardships as the price of doing business.⁶² The chase for ever-greater efficiency intensified in the decades after the 1890 became an outright obsession, which fostered a business culture with contempt for the weak. The core idea of the market as provider of discipline, order and merit has formed a substantial part of the modern free market fundamentalism’s politically conservative discourses and account for much of its appeal with conservative voters. Although the compatibility of political conservatism and free market governance might not be readily apparent, the market as a provider of order and discipline in a society that is seen to be unruly and chaotic bridges this gap.⁶³ As we will see later in the resurgence of free market thinking, the free market provides moral guiding and character when seen through the lens of political conservatism.

For its critics, however, *Laissez-faire*’s lack of morals made it hard in their eyes to reconcile the tensions between the opportunities the model touted and the inequality and hardships that happened under its aegis. As the name implies (“hands off”), the freedoms it envisioned were mainly of a “negative” kind, and the institutions it shaped reflected this outlook. The *laissez-faire* culture attempted to universalize a particular sort of economic liberalism that author and critic Karl Polanyi called “disembedded liberalism” which “lifted the economy out from its social underpinnings.”⁶⁴ He saw the liberalism that was created as wholly separate from the social realm, which created an economy that sought to *shape* the social world, rather than reflect the social world. He rejected that the economy could be abstracted from social relations and put in charge of governing society without causing protest and reactionary politics. He saw Marxism and other anti-capitalist politics as evidence of this. *Laissez-faire* as a mode of economic governance made it possible to always claim one was acting in the public interest, and thus one needed no other justifications – the goal of

⁶² Boyer, Paul. Et al. *The Enduring Vision: A History of the American People*. (Wadsworth Cengage Learning, Boston MA, 2010).

⁶³ Ernesto Screpanti and Stefano Zamagni, *An outline of the history of economic thought*. (Oxford: Oxford University Press, 2005), 198.

⁶⁴ Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Boston: Beacon Press, 2nd Edition, (2001), 34

economic expedience sufficed.⁶⁵ As political scientist John Gerard Ruggie has observed, an economic model gains much of its power from an “underlying social purpose”.⁶⁶ *Laissez-faire*, to its critics, had no legitimate social purpose, and this created various counteractions in the form of social unrest and protest. Although anchored in classic economic liberalism, *laissez-faire* was by its marginalized groups seen as the *legitimization* for a system of abuse. Arguably, the early free market cultures moral shortcomings inspired the next generation of economists and politicians to work on a macroeconomic theory economic theory that sought to minimize the social harm of unbridled markets. This would form the core agenda of the political economy of the political left in later developments.

Around the turn of the twentieth century America, tensions stemming from political and economic inequality loomed ever larger in the American. Forming the backdrop behind these developments, *laissez-faire* acted as the economic imaginary shaped institutional development and economic discussion. In professional economic circles, *laissez-faire* was considered the professional consensus. Therefore various discussions on the betterment of society happened outside established economics, or at the fringes of economic or (“pseudo economic”) milieus.

In the absence of democratic discussions on the purpose and morality of capitalism, a wellspring of alternative explanations for the workings of the economy emerged. Marxism arose as a fundamental critique of the capitalist system, which it saw as outrageously unjust and absurd. Socialists, Marxists and their affiliated groups touted their criticism against the economic conditions in America, which they saw as an instrument of class power. During the same period, muckraker journalism; activists and other pundits took advantage of the increasing circulation of printed media to routinely disclose abuses by American corporations. Authors like Mark Twain, Jack London, Upton Sinclair and others narrated passionately of the plight of the underprivileged classes to wide audiences.⁶⁷ Developments after the turn of the nineteenth century saw a coalescing of these disparate groups into the broader movement that has been called the “Progressives”. The Progressives would herald a new and more active approach to institution building by the government. The progressives embarked on a moral crusade to better American society as they saw it, and to achieve their goals they called upon they saw the need to use the state in ways that went against the *laissez-faire* state, where minimal state presence in economy matters was the norm. Out of the Progressive “era” lasting up until the New Deal, three landmark legislations were pushed by the progressive agenda

⁶⁵ Ibid. Pp, 46

⁶⁶ J. Ruggie, *International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order*. (International Organization, Volume 36, Issue 2, 1982), 381.

⁶⁷ Boyer, Paul. Et al. *The Enduring Vision: A History of the American People*. Wadsworth Cengage Learning, (Boston MA, 2010), 209

that saw an increase in the state's mandate in the economy. First was the Interstate Commerce Commission (1887) that was aimed at regulating corruption in the railroad sector by placing it under federal instead of state rule. Second, the Federal Trade Commission (1914) that set up tribunals for cracking down on the consolidation of business monopolies. Third, the Federal Reserve System (1913) that was aimed at coordinating and regulating the banking practices at a federal level. In addition to the introduction of federal income tax in 1913, this expanded the role of the federal government in the economy, and thus chipped away at the edifice of the *laissez-faire* state.⁶⁸

The most prominent representative of the progressive movement was Republican President Theodore Roosevelt. Although at heart more pragmatic than moralistic, he adopted a sharp moral rhetoric against the powerful business interests: "I regard this contest as one to determine who shall rule this free country—the people through their governmental agents, or a few ruthless and domineering men whose wealth makes them peculiarly formidable because they hide behind the breastworks of corporate organization."⁶⁹ In terms of institution building, the progressives had little faith in constitutional formalism as in itself conducive to a good society. Progressivism was influenced by Hegelian "end state" teleological arguments, holding that man was very much improvable. This improvement could be directed from the state, thus the rationale for a more social-scientific state arose under the progressive banner. Decidedly ambitious, the Progressives believed in the active role of the state in constructing a moral society, thus, they were fundamentally at odds with the culture of *laissez-faire*.

Although never a single unified movement, the progressives successfully brought a moral "anti-oligarchy" discourse into the political mainstream. By focusing on social aspects of the economy, the progressives perceived the threat of concentrated power also coming from the concentration of *economic* power, and not just through political privilege, and thus recognized one of *laissez-faire*'s market fundamentalist blind spots. This proved to be the key to overcome the problem of political factionalism. The progressives were able to join ranks on both sides of the political aisle between the egalitarian Left and the individualist Right by appealing to deep-seated American suspicions of centralized power in all forms. These efforts came into fruition with the presidencies of Roosevelt and Taft, who started the institutional transformation away from the *laissez-faire* state.⁷⁰ Three consecutive reformist presidents:

⁶⁸ Marc Allen Eisner, *The American Political Economy*. (Routledge, New York, 2011), 44

⁶⁹ Michael McGerr, *A Fierce Discontent: The Rise and Fall of the Progressive Movement in America, 1870-1920*. (New York, NY: Simon & Schuster, 2003), 30-32.

⁷⁰ The doctrine of *laissez-faire* was not applied in practice always, but its discourses held great sway over the kinds of functions the state could perform. For example, Congress heavily subsidized the railroad sector by giving away millions of acres of land.

Theodore Roosevelt, William Howard Taft, and Woodrow Wilson enacted “trust-busting”⁷¹ legislation and gave Progressive concessions that curbed the powers of the masters of the Gilded Age.⁷² This was the beginning of the modern American state. To be able to assume an expanded role in the economy the state needed the money to implement policy (taxes); the knowhow of how to improve the citizenry (professionalization of bureaucracy); and the legitimacy to act (moral discourses).⁷³

The Progressive movement represented the first in a series of three hard blows to *laissez-faire* that eventually eroded its sources of support. The second was the expansion of the role of government demanded by preparation to enter World War I. The second, and final straw was the Great Depression, which exploded the legitimacy of *laissez-faire* and subsequently relegated the free market discourses of *laissez-faire* in all but infamy for a generation.

3.2 Welfare Liberalism and the New Deal.

The Great Depression and the material destruction it wrought vanquished almost overnight the entire culture of *laissez-faire*. The American public in this period witnessed euphoric and rapacious financial activities that the unbridled market had caused. The sheer material destruction and the moral hazard that had preceded the Depression became evidence of all that was wrong with the free market. The Depression and the subsequent inadequate response by the Hoover administration created a demand for new and better ideas to enter into political economy. This period drew on the lessons of the progressives, and witnessed the creation of the welfare state brought into being by the Franklin Delano Roosevelt and his Administration. The advent of welfare liberalism as a mode of state governance transformed the institutional landscape of American politics. The free market governance mentality and the minimal state was replaced by “Keynsianism” and the “hands-on” rather than the “hands off” state of *laissez-faire*. As all the underpinnings of the free market economic system gave way, the Roosevelt Administration implemented the economic institutions of welfare liberalism with a broad range of public agencies which carried out politically defined social policies. A new generation of economists and politicians found themselves in demand. Those that viewed *laissez-faire* as immoral or unnatural, but had stood on the sidelines as *laissez-faire* had been

⁷¹ These “trusts” were bank-like institutions that handled investments (a precursor to the modern hedge funds), which operated alongside the national banks; the standard commercial banks of the time. These “trusts” were not regulated like banks, but got a “piggyback ride” on the national banks’ safe reputation. By the time of the Panic of 1907, the trusts were equal to the national banks in total assets. It was the trusts that went sour and produced the panic.

⁷² Marc Allen Eisner, *The American Political Economy*, 44.

⁷³ Eisner, Marc Allen. *The American Political Economy*. (Routledge, New York, 2011), 34

hegemonic in economic circles, now assumed the reins of the American economy. The result was an entirely new model of political economy. Anti-capitalist discourses were dominant among the public, which meant that the political leeway to build political institutions against these interests was considerable.⁷⁴

However, Roosevelt did not cater to the radical interests of American politics. For Marxists in particular, the recent developments leading up to the Great Depression appeared to be vindications of Marx' predictions: World War I caused by war mongering elites; the collapse of international Gold Standard; The Russian Revolution overthrowing the Romanov dynasty in Russia; and now the apparent collapse of capitalism itself – it seemed like all Marxist prophesies were coming true in quick succession.⁷⁵ But Roosevelt wanted to save American capitalism, not overturn it. To achieve this he would have to make a case for a moral “re-appraisal of values” that acknowledged the public rage against Wall Street bankers by empowering the American blue-collar worker, but simultaneously avoids conceding to radical elements in American society. FDR first wanted to restore confidence in the American economy, and then set it on a more just course: He sought to, as he said: “assist the development of an economic declaration of rights, an economic constitutional order.”⁷⁶ In short: He wanted to *democratize* the American economy.

In his widely circulated speeches, Roosevelt framed the Depression as a crisis of morals. He viciously attacked the principles of *laissez-faire* as a defunct system of ideas that had corrupted American business culture and the nation's protestant work ethic with it. His economic programs were articulated as serving social justice, and the application of moral discourses that criticized “greed” and “corruption” became central in welfare liberalism throughout the Roosevelt years.⁷⁷ The “greed” discourse mirrored public frustrations, and was also characteristic of the professional attitudes of many contemporary economists that emerged as influential in this period. After the stock market crash, the public esteem of the economics profession fell in disrepute as much of the public associated economists with the abject conditions now experienced in America. Economists or politicians that advocated for free market solutions and the primacy of corporations found themselves isolated.⁷⁸ Roosevelt made sure people could look to the government to fix the economy, and scholars or

⁷⁴ Screpanti and Zamagni, *An outline of the history of economic thought*, 245

⁷⁵ *Ibid*, 246.

⁷⁶ Franklin Delano Roosevelt “Commonwealth Club Address, March 4, 1933”

<http://teachingamericanhistory.org/library/document/commonwealth-club-address/> Accessed August 31, 2015

⁷⁷ Jacqueline Best & Matthew Patterson, *Cultural Political Economy*, (Routledge, New York: NY, 2010), 103.

⁷⁸ Burgin, *The Great Persuasion*. 54-56

businessmen that argued otherwise lost their audience. This was a peculiar situation, since the America had long been a nation that prided itself in pro-market and pro-business politics.

In this context of new economic ideas, one particular economists' star was on the rise. John Maynard Keynes, a British economist who had foreseen and publicly warned about the Great Depression became a chief architect of the new state model of welfare economics. His ideas were embraced by the Roosevelt administration, as it offered solutions to the crisis. With his ideas, Keynes offered crisis ridden governments a way out of crisis without going against public opinion. Very much a supporter of economic countercyclical stimulus by the state, Keynes supported public works programs. The central idea in Keynes' models was that the state should engage in deficit spending to kick-start the economy. Traditional economists believed that the spending of the government would create burdensome debts for the state and would increase inflation – fears that are still prevalent among free market advocates today.⁷⁹ Contrasted with the bleak assessments of free market economists of the time like Joseph Schumpeter and Friedrich Hayek, Keynes' message was decidedly upbeat.⁸⁰

Directly attacking *laissez-faire*, Keynes explicitly objected greed as the sole incentive for human action, saying as early as 1926: “The moral Problem of our age is the love of money.”⁸¹ For Keynes this utilitarianism was not only theoretical folly, but conducive to a human culture that fostered and indeed needed the hardship of some, in order to advance the successful, and as such, responsible for “moral decay of civilization”. The economic way to achieve a “moral economy” became for Keynes and his followers an economy in which there was *full employment*. Employment was by Keynes, as many others seen as a key to political stability and a way to relieve personal suffering.⁸² Economic libertarianism as expressed in free market ideals were absent any positive social goal, and thus to Keynes, were simply a means to achieve something else, not a valid end in itself. Keynes was not by intention committed to the cause of one particular class, but rather he entertained a set of ideas about enlightened political rule of the economy. This meant that politicians should possess the tools to check human impulses of self-aggrandizement, through a regime that “deliberately aims at controlling and directing economic forces in the interests of social justice and social stability”, Keynes stated. Thus a professionalization of economics where science replaced dogma ought to characterize the new generation of economists.

⁷⁹ Eisner, *The American Political Economy*, 60

⁸⁰ Keynes, *The End of Laissez-Faire*, Part III

⁸¹ *Ibid*

⁸² Screpanti and Zamagni, *An outline of the history of economic thought*, 249.

As the New Deal brought Americans social security and economic regulations that sought to protect workers against corporate abuse and arbitrary fluctuations of the business cycle, the American economy in the process became as a social construction. A “good” economy was constitutive of a good *moral* society. Roosevelt rejected the “free market society” as the sole organizing principle of social life. Both he and Keynes saw the highly normative aspects of *laissez-faire*, and argued there was nothing “natural” about the free market. It had been created by the state, and hence the state, given a positive mandate, could be the guardian of a new socioeconomic model. This self-reflexivity of social goals both on the part of the economy (full employment) and politics (welfare) created a more discursive politics that at created democratic responsibility for economic policy.⁸³

The postwar shift was also that of economic culture and the way the economic hegemonic discourses identified the *public*. Beginning in the intrabellum period, the advent of mass communication, advertising, and “public relations” combined with the establishment of new public and national media institutions could reach the American population in ways that could not be done earlier. The Roosevelt Administration capitalized on these developments to identify an American public vis-à-vis the state. The conscious efforts by public and private entities to establish a consumer culture replaced the “*homo economicus*” of *laissez-faire* with a more national, political citizen. Thus this era has been identified with the creation of a new public, which Jacqueline Best and others have called the “citizen-consumer”.⁸⁴ Thus, with a new macroeconomic theory and new technologies – in essence a new model of *capitalism* - a “new” public was defined in the process.

Keynes held that one of the reasons for the longevity of *laissez-faire* was the lack of convincing alternative political-economic frameworks. Marxism, socialism and mercantilism were the other ideas around at the time, and each of these could be quickly dismissed as “radical” or “utopian”. Consequently, counterarguments to *laissez-faire* were either too complex or too facile. Keynes believed that in the American context, the force of *laissez-faire* could partly be explained by its simplicity. Its relationship with classic liberal ideals on individualism and the support from myths on the freedom of the individual and the success of the self-made man made its discourses powerful and hard to argue against. Keynes grappled with the question of “individual liberty”, as it was lacking any higher principle since “socialism and *laissez-faire* all laid their stress on freedom, the one negatively to avoid

⁸³ Fitzgibbons, *Keynes's Vision*, 164-6

⁸⁴ Rob Aitken, “To the Ends of the Earth,” in *Cultural Political Economy*, ed. Best Jacqueline, (London: Routledge, 2010), 79.

limitations on existing freedom, the other positively to destroy natural or acquired monopolies”.⁸⁵ Freedom was a concept unfit in modern economics because the liberalism of Locke, Rousseau and Hume, which it was based on, could not be continuously reconciled with the changing nature of society. Therefore it had become a divided doctrine between social and individual utilitarianism. Before the Great Depression, popular assumptions on *laissez-faire* thought it were the shared professional consensus among economists making the job for arguing against this seem like those that were critical to *laissez-faire* were “out of tune” with the times. Also, as mentioned earlier, the principles benefited the established order in America, whose wealthy supporters could ensure that the idea was given pride of place in the corridors of political power. Nevertheless, Keynes believed that the sustained critique from him and an ever more vocal group economists would manage to influence public debates. Keynes’ ideas were not accepted until the Great Depression had made these ideas in demand.

However, Keynesianism was not a complete reversal of the negative state, and the introduction of a state directed economy, but merely sought to have the economy “embedded” in social relations. Keynes thus advocated a third way between Marxism and *laissez-faire*. He believed that the economy was not a system perfectly devised, nor was it destined to destruction as Marxist teleology grimly prophesized. The economy was merely an extension of human life, - a social function - and as such prone to both folly and intelligence. In line with progressive principles at the time, the economy was like the humans themselves, fallible, but very much improvable by reason.⁸⁷ Keynes opposed both *laissez-faire* and socialism because they were both exclusively materialist. They were both “unscientific”, individualistic and both were “different reactions to the same intellectual atmosphere”.⁸⁸ They took a simplified form of liberty for granted, as people were not simply motivated by material reality, but prone to “animal spirits”. These “animal spirits” meant that theoretical models were only of limited utility, as the practical world is full of irregularity that will thwart efforts to confine to any economic model or dogma.⁸⁹ To ensure stability in the economic system there had to be state oversight over certain areas, a key point in later discourses critical of the free market. Entirely new institutions had to be created to perform these functions.

⁸⁵ John Maynard Keynes, *General Theory of Employment, Interest and Money*. Ch.IX,(1936).237

⁸⁶ Fitzgibbons, *Keynes’s Vision*, 165.

⁸⁷ Burgin, *The Great Persuasion*, 90

⁸⁸ *Ibid* 81

⁸⁹ Fitzgibbons, *Keynes’s Vision*, 6.

The economics of Keynes were political in both intention and nature. Since Keynes' theories implied that the state should play a large role in regulating economic life, the political left quickly embraced him, and embraces his ideas still. Conversely, his theories were seen as a threat to the parts of the political right that had prospered under *laissez-faire*. Keynes' ideas on political economics were ultimately contained in his magnum opus *The General Theory of Employment, Interest and Money* (1936), became the touchstone work for a generation of economists, and gave name to this whole new way of thinking about the role of macroeconomics, "Keynesianism".

The Keynesian revolution was certainly politically expedient for the left in the U.S, whose frustrations over the inadequate role of government in the economy were as old as the industrial age. The freedom of the economy was compromised was justified in order to meet *defined social goals*. These social goals took form in discourse at the national level, which largely "internalized" class relations. Through working-class institutions and labor unions the political center of gravity was very much to the left in these years.⁹⁰ But also a qualitative shift in the kinds of ideas that were put forth changed. America could not return to a system of "voluntarism" in economic governance, where private actors cooperated with the state at their own convenience. The forging of a positive program to rebuild the American economy was needed. The politics of the FDR Administration created institutions out of this intellectual atmosphere.

3.3 Keynesianism Goes International

Keynesianism as a model of economic governance, achieved international outreach after World War II. The collapse of the global financial system in the wake of the Great Depression was seen as a leading cause of the rise of extremism in Europe, and this shaped the debate about the post war international order. One U.S delegate at the Bretton Woods conference soberly reflected on the alternative to a new financial order as "the spread of depression from country to country" and the return of the "twin evils of international economic aggression and monetary disorder."⁹¹ To facilitate social stability and economic growth in Europe after the war, Keynesian economic principles were institutionalized into the international financial architecture in the Bretton Woods regime. Replacing *laissez-faire* globalization, Bretton Woods brought into the international system its self-reflexive social aim of full employment and welfare liberalism. In this regime, states were recognized as the chief actors and

⁹⁰ Burgin, *The Great Persuasion*, 91

⁹¹ Eisner, *The American Political Economy*, 89

considerable economic powers were afforded international diplomacy and national policymakers. Two new supranational bodies were created to facilitate this: The IMF and the World Bank. The Bretton Woods regime cushioned sovereign states against the economic pressures by regulating international capital flows and fixing exchange rates to the dollar. For the first time in economic history, transnational financial flows were thoroughly regulated by political diplomacy. This allowed states to strike a balance between “universal” demands of international capital, and particular domestic political objectives – allowing states to pursue a wide range of responses to international capitalism.⁹²

As a financial regime, the Bretton Woods system made room for national political decisions within the system and restrained the economic power of the USA. The defining feature of this economic order was *stability*. This stability was imagined in social terms first, and then put into practice in the economy.⁹³ Indeed, the system was underwritten by the hegemony of the USA as the postwar world’s only creditor nation. Also the attractiveness of American culture played a big part in advancing the American economic model as an object of emulation by other states. American life was by many Europeans seen as culturally attractive and often superior to the traditionalism of European society.⁹⁴ An attractive postwar vision was created by the American “citizen-consumer” that enjoyed material wealth and social harmony.⁹⁵ The American political right in this period largely accepted the state as the foremost agent in the economy, and a bipartisan consensus of the active state and the active citizen became focused around the Keynesian framework. The enactment of welfare reforms, government entitlement programs and Keynesian fiscal policy all demanded a government that intervened in the economy, and all required bipartisanship to be able to pass through Congress.

In the book *The Great Transformation* (1944), political economist Karl Polanyi held that no society prior to the age of *laissez-faire* had cultivated a form of market exchange that was not somehow grounded in, or responsible for, the social relations it sprang from. *Laissez-faire*’s ideal of the self-regulating was a utopian project that sought to govern society according to economic logic alone. This economic logic sought to commodify “land, labor and money” in ways that pretended these were not the function of social life, and this had resulted in massive social and spatial dislocation.⁹⁶ As scholar John Gerard Ruggie has

⁹² Eisner, *The American Political Economy*, 89

⁹³ Georg Kell & John Gerard Ruggie, “Global markets and social legitimacy: the case for the ‘Global Compact’.”

⁹⁴ Ruggie, “International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order”, 382

⁹⁵ Best, “From the Top-Down”, 365.

⁹⁶ Polanyi, *The Great Transformation*, 104

subsequently added to Polyani's insights, the New Deal and the post-war arrangements at Bretton Woods which developed therefrom, functioned to "re-embed" economic relations back in *social* relations – a term which Ruggie called "*embedded liberalism*".⁹⁷ By defining domestic economic stability as a normative goal and allowing for continuous negotiations between states, the architects of this new order, Keynes and his American colleague Harry Dexter White had in fact created such an "embedded" order after the war. This new international regime was not just a set of technical negotiations, but had also articulated a distinct normative social purpose of *compromise* and *restraint* that moved beyond the mere task of ensuring economic stability. They had created a self-reflexive purpose in the global economy – a form of narrative the advocates of the self-regulated markets had not attempted to construct for *laissez-faire*.⁹⁸

At the center of these developments was Keynes, who provided the language and economic models of this new liberal order. Keynes had been convinced of the shortcomings of *laissez-faire* since he had attended the peace conferences at Versailles after World War I. His objective was the formulation of a "middle way", and as such he shared Polyani's theory of *laissez-faire*'s tendency to cause social instability and protest. Through Keynes and his influence, the way in which the "economy" was viewed changed dramatically after World War II. The idea of a national macro economy, and that it could be *managed* to produce specific social outcomes had been one of the fundamental lessons after two wars the Depression. The post war order would thus be centered on the national economies.⁹⁹

Besides these cultural and structural arguments, many economic historians have pointed to more pragmatic reasons for the rise of the state in the economy. As the political and economic foundations for the global economy had been shattered by two world wars, various forms of human association that had been transnational were reduced to the national scale. Most major corporations became national in scope. The sheer destruction and breakdown of the international order made the state the "default" level of social, political and economic organization.¹⁰⁰ In the U.S and elsewhere, as a product of the crises of the period the prevailing form of nationality became more civic in nature, and not ethnical. The Second World War had necessitated a bureaucratic and directed economy and a vast expansion of the state apparatus. These circumstances meant that the national state – by necessity – had to be

⁹⁷ Ruggie, "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order", 381

⁹⁸ Best, *From the Top-Down*, 368.

⁹⁹ *Ibid.*

¹⁰⁰ Kell & Ruggie, "Global markets and social legitimacy."

the effective actor in the economy. This created a notion of accountability for a set of shared values represented in the national discourse that would later be severely challenged disappeared under globalization's separation of production and finance and these political institutions.

3.4 Free Market Ideas in the Age of Keynesianism

In all political stripes, the political and social upheaval of world wars and depression invited new and big thinking in how to organize society. In this social and economic climate it had been grasped by both the political Right and Left that the economy was intricately a part of society, and was thus the concern of the intellectual sphere. Dictatorships and revolutions had sprung from economic mismanagement, proving that economic life was intrinsically connected to social life. Any new grand economic model had to conceptualize a moral framework to support it. Ideas on the free market and libertarian individualism went into a period on inward-looking deliberation. The free market advocates, now largely retreated from the corridors of public policy-making to a few isolated pockets around the world, found a beacon of hope in the book *The Good Society* (1937) by Walter Lippman.

Intended as a protest against the Keynesian movement, this book was kindled the flame of free market thinkers, and represented the start of a new effort to reframe free markets as conducive to a moral society.¹⁰¹ Lippman, a very influential thinker in his time, presented in his *Good Society* a very bifurcated view of the world as a choice between *laissez-faire* on the one side and “authoritarian collectivism” on the other – both of which were not “free” societies. Intending to redeem the reputation of the free market the he argued that *laissez-faire* was a system of “non-regulation” which was “quite literally, a complete impossibility” and that state planning was doomed to failure because it led to the “coercive direction by government of the life and labor of the people.” The solution for Lippman was a system of governance at-a-distance by carefully designed laws that would ensure the maximum level of individual freedom, but at the same “minimize monopolies and collectivisms of all kinds.”¹⁰² Such a system could be found by returning to the economic principles of Adam Smith, which he felt had been betrayed by the *laissez-faire* culture. In the *Good Society* Lippman discussed

¹⁰¹ Burgin, *The Great Persuasion*, 104

¹⁰² William W. Crosskey, Book Review (reviewing Walter Lippmann, *The Good Society*, 1937), 5. (University of Chicago Law Review 707, 1938).

this early conception of political liberalism at length. However, Lippman struggled to establish a positive set of policies in his book that were not inconsistent with the policies it denounced.¹⁰³

Influenced by Lippman another notable intellectual who seized the zeitgeist of the times was Austrian-born economist Friedrich Hayek. Aiming to shape the postwar debate on the future economic order, Hayek published in 1944 *The Road to Serfdom*, in which warned of the “tyranny that inevitably led from government control of economic decision-making.”¹⁰⁴ Widely read by free market advocates, the *Road to Serfdom* made Hayek the focus of attention of the scattered group of intellectuals that had been marginalized by the Keynesian revolution. In 1947 this transatlantic clique of free market advocates founded the *Mount Pelerin Society* – a think tank for economic libertarianism led by Hayek. The group comprised of economists, philosophers, historians, intellectuals, business leaders that were loosely committed to free markets as a means of achieving individual freedom. The group included figures like Ludwig von Mises, Karl Popper and Milton Friedman.¹⁰⁵ Although there was internal disputes on the extent to which the market could be allowed free reign of the economy, the group was united in their quest for what they saw was a moral economy, absent state management. Their founding statement expresses their moral and social purpose:

The central values of civilization are in danger. Over large stretches of the earth’s surface the essential conditions of human dignity and freedom have already disappeared. In others they are under constant menace from the development of current tendencies of policy. The position of the individual and the voluntary group are progressively undermined by extensions of arbitrary power. Even that most precious possession of Western Man, freedom of thought and expression, is threatened by the spread of creeds which, claiming the privilege of tolerance when in the position of a minority, seek only to establish a position of power in which they can suppress and obliterate all views but their own. The group holds that these developments have been fostered by the growth of a view of history which denies all absolute moral standards and by the growth of theories which question the desirability of the rule of law. It holds further that they have been fostered by a decline of belief in private property and the competitive market; for without the diffused power and initiative associated with these institutions it is difficult to imagine a society in which freedom may be effectively preserved.¹⁰⁶

The Mount Pelerin Society thus emerged in the postwar years as a purposive community which project was to save liberty by creating a “new economic liberalism”. The function of the Mount Pelerin Society conference was to discuss the version of liberalism that *The Good Society* and the *Road To Serfdom* had outlined but not positively formulated. Hayek had understood that their political philosophy would never get off the ground if it only were articulated in material and reactive terms. The “new economic liberalism” would have to be

¹⁰³ Ibid.

¹⁰⁴ Burgin, *The Great Persuasion*, 104

¹⁰⁵ Ibid, 105

¹⁰⁶ Mount Pelerin Society website. <http://www.montpelerin.org/aboutmps.html> Accessed 12.08.2015

morally as well as spiritually attractive - a point that Milton Friedman (an unknown quantity then, but whose influence would later be considerable), would redress. Through discussions at the summit, the *Society* was going to address the lack of articulated social vision their ideas gestured towards. The founders of the Mount Pelerin Society were intensely concerned with moral aspects of capitalism, but differed in their emphasis on what parts of the economy that could be revised and which ones to keep. However, many attendants did not share the sanguine faith that Hayek had in the *social* virtues of the market. Thus, normative assumptions on human nature were at the heart of the debate, as they had been since the writings of Adam Smith. The *Society* was, however, united in their view that the individual libertarianism that had been fostered in the *laissez-faire* culture was devoid of positive content and needed revision.¹⁰⁷

As the Mount Pelegrin Society matured into the 1950s, they found their policies increasingly unwanted in America. The sense of urgency and possibility that had shaped the movement in the formation during the war had now given way to a period marked by economic growth, international stability and a general sense of moderation of government policy, exemplified by the calmness of the Eisenhower Administration. Developments in Europe had not come to fruition that way Hayek had hoped, as many states pursued with a moderation of policies were mixed economies between public planning and market mechanisms was the norm. Increasingly, Hayek felt like the window of opportunity had closed on the movement – especially in the U.S where he had relocated to teach at the Chicago School of Economics. Hayek moved to Germany in 1962 and receded from active leadership of the *Society*. His vision of building a transatlantic movement for the resurrection of free markets felt increasingly a pipe dream. He conceded: “I shall probably rapidly loose interest in the proceedings and get tired of the thing.”¹⁰⁸

Hayek’s endorsement of free markets and aloof governments were attractive as they resonated with American individualism, now re-contextualized as “free enterprise” and “self-sufficiency”.¹⁰⁹ *The Road to Serfdom* was distributed to *all* General Motors employees, and a condensed version published in *Reader’s Digest* in 1945, reaching an audience of 8,750,000 subscribers.¹¹⁰ Not yet mainstream, free market ideology was now increasingly circulating in the public sphere.

¹⁰⁷ Friedrich Hayek, “Individualism: True and False,” in *Individualism and Economic Order* (Chicago: Chicago University Press, 1948), 3.

¹⁰⁸ Burgin, *The Great Persuasion*, 125.

¹⁰⁹ Robert J. Antonio, *After Neoliberalism: Whither Capitalism? The Wiley-Blackwell Companion to Sociology*, First Edition. (Blackwell Publishing Ltd., 2012), 5.

¹¹⁰ G. H. Nash, *The Conservative Intellectual Movement in America Since 1945*. (New York: Basic Books, 1976), 5-10.

While *The Road to Serfdom* was a public success, it also revealed shortcomings in the free-market camp. The group's reluctance to connect their ideas to a broader worldview had relegated them to an ivory tower, resolving internal disputes instead of convincing others to join their ranks. *The Road to Serfdom* proved to Hayek and his followers that the failures of the free market ideology after the Great Depression had been that of *rhetoric*, not economic theory. Free market libertarian advocates had spent their passion attacking and debating the theoretical economics of Keynes, rather than championing for a new alternative. They increasingly concluded that they would have to abandon their technocratic formalism and turn to a more "people-friendly" brand of economics if they were going to be able to see their philosophy translated into action. This development from fragmentation to unity would turn a corner for the reinvention of economic liberalism in the postwar years. Slowly, emerging from isolation, they began to see themselves as *public* intellectual figures, fighting against the influence of the Keynesian mindset and *laissez-faire* as well. "Collectivism", in all its perceived forms, became the main target. Increasingly, the group came to terms with the herculean task they had ahead of them, and settled in for the long haul of building a coalition. The postwar years would see this scattered group of like-minded idealists turn into a community that increasingly thought and acted in concert. The social vision stated in *The Good Society* was adopted as the groundwork for a new and broader approach to free market economics in the following years as a social philosophy, not a theory of economics. The Society shifted from a broad transatlantic coalition to a narrower focused group led by the Anglo-American factions, led from the University of Chicago. But, in the Chicago School Milton Friedman's star was rising and he would be the prime mover in the decade to come.

Although the "new liberal" ideas had little impact on public policy, these ideas were afloat in conservative segments of the public sphere. William F. Buckley's conservative magazine *National Review* had become increasingly popular. By the start of the 1960s the magazine had 100,000 subscribers and was increasingly influential in the conservative political scene. The magazine combined a "traditional" and conservative view on American social life with libertarian ideals of free markets and libertarian individualism, and had become an outlet for the ideas of the Mount Pelerin Society.¹¹¹ What had started in the reclusive world of withdrawn intellectuals now had a growing audience in the popular sphere. The building of new economic liberalism had been a long and arduous process for Hayek and his associates. Their limited breakthroughs aside, the question still remained for market

¹¹¹ Jeffrey Hart. *The Making of the American Conservative Mind*, (National Review, 2005), 221

advocates how to make their ideas attractive to the public. By in the early 1960s the heterogeneous group of scholars and intellectuals associated with the Chicago School had centered on Milton Friedman. Friedman had many qualities that the movement lacked; He was charismatic, bold, confident and a great communicator. His ability to reduce technical and moral complexities into plausible and agreeable solutions – all by the virtues of the unbridled market – made him friendly to public audiences. Rhetorically, he transcended the uncertainties of his colleagues and in doing so he emboldened them and others to advocate for the merit of the free market. Friedman’s case for the inherent morality of market mechanisms signaled an end to concerns of the free markets social consequences that his colleagues had debated for decades. Through Friedman, the Mount Pelerin Society and the Chicago School would experience the rarest of things for political thinkers; they would see their ideas shape the politics of their time.¹¹²

At the same time, ominous signs were looming in the horizon for the Keynesian welfare state. The Kennedy-Johnson era of expansive welfare over the fiscal budget seemed initially to work as unemployment dropped and GDP grew. Keynesianism was the tool for these administrations’ efforts to combat poverty and reduce unemployment. As the Johnson Presidency with its massive federal spending managed to keep unemployment below the target of 4%, Keynesian techniques had worked, but inflation was creeping upwards, aided by massive federal spending on the Vietnam War. By the Time Richard Nixon assumed office in 1969, the inflation rate was over 5% annually, and there was little chance that Vietnam War spending would drop in the foreseeable future. By 1971 unemployment had mounted to 7.1% and American businesses and consumers were feeling the effects of what would be labelled “stagflation” – a condition which the Keynesian approach had no remedies for. Further burdening the American economy, Nixon pursued very ambitious environmental protection legislation that, although well-intended, further burdened American businesses and increased state bureaucracy thus adding to the economic frustrations.¹¹³

The international side of America’s obligations as the sponsor of the “embedded liberal” regime was cracking too. The Bretton Woods mechanisms were undermined by several developments seemingly beyond its control. Towards the end of the 1960s, the international system of diplomatically managed capital flows was under severe pressure from cash flows that bypassed the system via an independent market called the “Eurodollar” market

¹¹² Eisner, *The American Political Economy*, 102

¹¹³ *Ibid*, 103

based in the financial district, the City of London. The system of fixed exchange rates was unable to cope with the increasing volume of capital that flowed between international borders. These new volumes of money were coming from two main sources: The national surplus of oil producing states in the Middle East and the expansive fiscal stimulus in the USA from the Johnson Administration's "Great Society" spending and the Vietnam War. Thus, two central pillars of the Bretton Woods system were eroding. The system of convertibility of dollars into gold was abandoned in 1971. Exchange rates were soon allowed to float freely. One of the anchors that restrained the global economy was now severed.

Domestically, the U.S. presided over rising inflation and unemployment. As stagflation spread across much of the western economies, observers concluded Keynesian policies were no longer working. Nixon made a futile attempt to control inflation by enacting price controls, but was unable to curb inflation, and inflation remained high throughout the decade, reaching a peak at 12%.¹¹⁴ The goal of full employment proved impossible to achieve, as several administrations during the entire decade grappled with stagflation. The moral and intellectual purchase Keynesian policies had enjoyed was disappearing, and by the time Ronald Reagan was campaigning the political atmosphere was ripe for alternative ideas.

Attempts to save the Keynesian welfare state were largely unsuccessful. Rather than abandoning state control over the economy at the first signs of trouble, the U.S.' Democrat-controlled Congress, with a Republican President Richard Nixon, rolled out a series of sundry regulations and directives to combat the ills of the economy. Nixon, for the time still believing the Keynesian framework could save the day, stated "we are all Keynesians now."¹¹⁵ But support for the left's economic program was dwindling. Unemployment had weakened the power of unions.

Internationally, the Bretton Woods institutions were increasingly irrelevant. Practically and intellectually Keynesianism was in disarray. In this period, the political Left in the U.S. were becoming increasingly out of touch with reality, as they failed to grasp the global nature of the dynamics of capital accumulation, and the pressures this was putting the national economy under. Traditional national social democratic solutions were insufficient to restore growth and end inflation. Alarmed by the prospects of even deeper government control in the economy by the political left, the business community was jolted into action.¹¹⁶ Against this

¹¹⁴ David Harvey, *A Brief history of Neoliberalism*. (Oxford University Press, London, 2007).

¹¹⁵ Harvey, *A Brief history of Neoliberalism*, 13.

¹¹⁶ Harvey, *A Brief history of Neoliberalism*, 13.

backdrop, the upper class in America acted increasingly in concert, concerned that they could be virtually extinct as a class. These fears were not totally unfounded, though, as social movements, unions and left leaning politician's wielded considerable political influence, and a general decreasing of political significance in the upper classes, as top-earners saw profits fall year after year.

During the seventies, a considerable effort on the part of the Right served to bring their interests to the forefront of the political agenda. The great strides that had been made by the Chicago School/Mount Pelerin Society to form a moral rationale for free markets, was strategically adopted by much of the business elite. They realized that if they were to succeed in implementing a new economic philosophy they needed to approach it in a way that could be translated into a moral political philosophy. Mere advocacy of free markets would almost certainly be seen as a revival of *laissez-faire*, and as such, not legitimate. They needed an attractive message that could be intellectually and morally supported by Americans in order to shift the thinking of Americans of what the role of the state, and even the individual should be. Friedman and his associates had been perfecting just such a message. But how free market fundamentalism became the answer to these problems was not certain at the time. Indeed, at the time, free market fundamentalism, as we know it today was far from a unified political ideology. This defies the belief many critics have that free market fundamentalism was strategic in its intentions in this period.¹¹⁷ Their resurgence to politics was far more characterized by discord and ambiguity than that.

Towards the end of the 1970s, another source of pressure was laid on the postwar social democratic model from increased competition for the U.S economy from overseas. U.S magazine covers featured critical articles on the decline of America, as it had fallen behind the more successful and industrious competitors like Japan and Germany. In very much a similar vein to today's "decline" discourse, the sense of decline eroded the legitimacy of the economic thinking of the day, and this helped alternative economic thinking gain foothold. Defenders of the more social democratic brand of economics also became defenders of the status quo, which saw massive unemployment and rising prices in the U.S while new players in the global economy were seemingly outcompeting American workers.¹¹⁸ What was in the Eisenhower-Kennedy years as a belief in the state could solve complex social problems by

¹¹⁷ Burgin, *The Great Persuasion*, 14.

¹¹⁸ Thomas Piketty, *Capital in the Twenty-First Century*, (Boston: Harvard University Press, 2013), 98.

pulling the Keynesian leavers gave way to a renewed belief in unbridled markets and growing vexations about the role of the state as a solution to these problems.¹¹⁹

3.5 The Return of *Laissez-faire*.

The Pelerin Society's shift from economic theory to political philosophy under the leadership of Friedman and his colleagues at the Chicago School of Economics, started to bring the movement into mainstream politics. The new economic liberals meticulously crafted their rhetoric over classical American concepts like individualism, populism, anti-government and empty signifiers like "opportunity", "freedom".¹²⁰ This message catered to many disaffected the conservative backlash that was building in America in the 1970s. Weary of social unrest, stagflation, crises and violent protest, many Americans wanted a return to normal conditions. Many gravitated towards the political right, as Reagan presented a path towards order, prosperity and a return to classical American values. With the political left increasingly associated with various forms of social activism, the "New Left" became a fractured group that lost their grip on the mainstream voters. With the collapse of the Bretton Woods regime, and the political left split into factions around "issues", the economic paradigm of the left was now sufficiently weakened as to be challenged head on.

Friedman opened up a new chapter when he assumed leadership of the Society in the mid 1960s. From grappling with the dynamics of state intervention versus free markets in a context of combating the effects of the Great Depression and the subsequent crises, their new approach was a political economic framework that addressed the social and political currents of the time: The Cold War. Friedman tended to see the world in terms of a Cold War dualism, where "collectivism" was represented by the Soviet Union, and the U.S was its moral opposite. His bifurcated rhetoric resonated well with audiences, and Friedman's popularity and influence grew quickly. Friedman's hugely successful 1962 book *Capitalism and Freedom* had granted him both national and international attention. The policy suggestions Friedman advocated were bold and unorthodox as he offered a blend of political philosophy, classical economics and history. Friedman had become a popular public intellectual. The scope of marketization and deregulation that Friedman boldly presented was surprising, even compared to his and his colleagues' earlier work. But for many this added to the book's appeal. The way Friedman framed the issue of free markets against the collectivism of the

¹¹⁹ Eisner, *The American Political Economy*, 100

¹²⁰ Burgin, *The Great Persuasion*, 127

Soviet Union made the book impact the political debate of the time with a broader readership than had been possible through economic theory alone. Friedman was unmoved by claims that the economic consequences of his policy suggestions were cold and amoral. For him, capitalism was inherently moral, therefore bureaucratic attempts to design a moral economy were only giving privileges to one group or another, and this was sure to be abused over time. Arguably, Friedman would come to influence public and intellectual thinking as much as Keynes and even Karl Marx.

Friedman's powers of persuasion were often extraordinary. Biographers have stated that one of his techniques for winning debates over people that did not share his view was to use his free market ideas not as *ends* in itself, but as a *means* to achieving other's ends. Friedman often disarmed his opponents by arguing that free markets and deregulation would produce the very outcomes that his opponents wanted to achieve by political governance. Even though Friedman might be opposed to the policies suggested, the way in which he argued the free market would bring about the desired result often left people with the impression that he argued from the standpoint of economic theory and not political preferences. Friedman's "methodology" contributed to the impression that his ideas and those of his circle were seen as not so radical in political terms, as the reins of the economy was nominally still in the hands of the politicians.¹²¹

One problem subsisted, however, that had hampered the movement since its very beginnings. Even by the mid 60s the new liberals had not yet found a term that they could apply to their movement. Classic European liberalism as it was expressed in *laissez-faire* was devoid of meaning. Friedrich Hayek saw them as anachronisms; as widely diverse principles that had derived their labels through "historical accident".¹²² "Libertarian" was also considered, but it was felt that this term had semantic connotations to anarchism, which was not seen as a "feasible social structure". Friedman initially used the term "neoliberal" to describe his ideas but decided to drop this term by the late 1960s. The term that Hayek, Friedman and the rest of the society were least favorably inclined to was "conservative". The group saw themselves as radicals, not conservatives, as conservatism implied a preservation of the system as it was. The problem of terminology subsisted even after Friedman's *Capitalism and Freedom*. Arguably, this would become one of the gravest mistakes of the

¹²¹ Daniel Stedman Jones, *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberal Politics*. (NJ: Princeton University Press, 2012), 159.

¹²² Hayek, *Individualism*, 3.

movement, as it would later be referred to “neoliberal” – a term that certainly carries connotations to *laissez-faire*.¹²³

But one term the new liberals had focused on through Friedman was “freedom”. The Cold War ideological climate that inspired Friedman allowed him to frame his ideas of the free market as metaphor for freedom itself. It either freedom as represented by the USA, or enslavement by the state as represented by the USSR. The conceptualization of new liberalism in terms of a hallmark of “free society” would be one of the most important features of the new liberalism as it sought to discredit the state as superfluous in governing the activities of free individuals.

Friedman differed, however, from his circle in his views on nineteenth century *laissez-faire*. His problem with the term “liberalism” was purely one of semantics, as he thought that Gilded Age America was “the closest approach the United States has had to true free enterprise capitalism”.¹²⁴ Very much against the historiography of the times, which tended to see this period of American history as one of poverty, hardship and individual un-freedom, Friedman saw it as a blossoming “frontier” of capitalist innovation and prosperity that replaced the old bureaucratic and political America.¹²⁵ He based his argument on what he saw as a propensity for great societies to go under when they tried to curb individual freedom. The arrival of bureaucracy had destroyed freedom in the ancient civilizations of Greece and Rome, which caused their demise. Strategically, Friedman sought to turn the biggest obstacle to the new liberalism - its association with the Gilded Age – to a source of strength. Friedman had over time abandoned the Society’s attempts to form a moderated liberalism that fixed the problems of *laissez-faire*. He straddled the border of radicalism (which usually is usually viewed with suspicion in America), and populism. This social philosophy would come to shift public discourse. Friedman would precipitate the impossible: A triumphant revival of *laissez-faire*.

The free market fundamentalism of Friedman differed from *laissez-faire* in one important aspect: Friedman’s polemical and unabashed advocacy of the ability of the market to solve concrete problems produced discourses on the free market that were directly positive and self-reflexive, rather than simply framed negatively, “against” the state. The social purpose was maximum individual freedom and efficiency. Negative freedom, he argued would bring about optimal prosperity not only t the top, but for the bottom of America’s

¹²³ Jones, *Masters of the Universe*, Ch 1.

¹²⁴ Burgin, *The Great Persuasion*, 177.

¹²⁵ Ibid

social ladder. If *laissez-faire* as it had developed in the United States had been first and foremost an approach to economic governance, Friedman's *laissez-faire* represented an unabashed marketization of the social realm as well. The discourse of *laissez-faire* had been characterized by Neo-Darwinist attitudes to social problems. "Neoliberalism" included a social philosophy in the *moral* aspects of capitalism. Friedman's radicalism aside, he recognized the need for his social philosophy to address the issue of morality. He argued that markets did not only facilitate efficient transactions, but by their very nature rewarded virtue. Their emphasis on individual responsibility would produce a citizenry that understood freedom in conjunction with responsibility. "It therefore tends to promote values of self-reliance, of commitment. By ruling out at least coercion it requires emphasis on mutual benefit which is a far more ennobling creed than the use of force."¹²⁶ Also, if a business were to be motivated by altruism or socialism and not to their shareholders, it would just be supplanted by a more efficient business that could take its place.

Friedman's logic relied on juxtaposition between the state directing on the one hand, and the market allowing free choice on the other. The latter constituted "participatory democracy", the former was "bureaucratic democracy" as participating in democracy required choices, and only the market could offer real choice, rather than have the government choose for the citizenry. The government would tend to "sacrifice the public interest to the special interest". Everybody, including the poor, was harmed when the state intervened. Wendy Brown has identified the extent to which the features of free market (She uses neoliberal) pertain more to social relations than in classical economic liberalism:

The extension of economic rationality to formerly non-economic domains and institutions extends to individual conduct, or more precisely, prescribes citizen-subject conduct in a neo-liberal order. Whereas classical liberalism articulated a distinction, and at times even a tension, among the criteria for individual moral, associational, and economic actions... neo-liberalism normatively constructs and interpellates individuals as entrepreneurial actors in every sphere of life. It figures individuals as rational, calculating creatures whose moral autonomy is measured by their capacity for "self-care" - the ability to provide for their own needs and service their own ambitions.¹²⁷

This movement towards hegemony occurred on many levels in American society. Crucial was the intellectual support of Hayek and Friedman in ensuring these ideas were in circulation when the political climate changed. The impact of Friedman in this endeavor cannot be exaggerated, as his framing of the free market was able to boil complex economic ideas into a

¹²⁶ Burgin, *The Great Persuasion*, 189.

¹²⁷ Wendy Brown, "Neo-Liberalism and the End of Liberal-Democracy", *Theory and Event* 7, no.1 (2003): 4

narrative that resonated well with American values. His access to the corridors of power meant that he could influence the opinions of key policymakers in the Reagan Administration.

The left, as defenders of the Keynesian institutional framework suffered a crushing series of political defeats, as Keynesian theory was powerless to address the economic woes of rising fuel prices, increasing unemployment and stagflation. The social democratic coalition had seen America through Depression, War and unprecedented broadly shared prosperity, but now found themselves as archaic defenders of an increasingly irrelevant economic system that stood in the way of not only economic progress but of realizing the American Dream. Reflecting a newfound dynamisms in American society, the new liberals (or neoliberals) was also an expression of a new American optimism and a belief that the setbacks and political turmoil of the late sixties and seventies were behind, and a new spring would come for the American people. To the extent that the logic of the new liberal economic program mattered to the public, the materialism of supply side economics fitted well with hard-pressed American families that had seen a drastic decline in purchasing power during the seventies. Cutting taxes both served as a way to boost the economy and provided the rationale for cutting government entitlement programs. In the midst of de-industrialization, the shift from an industrial economy to a service economy weakened the power of unions, further detracting the political support for the left.

3.6 Institutionalization of Laissez-faire: The Reagan Revolution

Starting in the 1980s, the American public debates were inundated with calls for a significant rollback of government in the economy. Against the backdrop of stagflation and increased economic competition, Ronald Reagan promised to get rid of the welfare sluggish welfare state that was hampering America's entrepreneurial spirit.¹²⁸ Keynesianism, with its policies of restraint was now the target of this new wave of economic liberal reformers. From an intellectual and public climate that distrusted the reign of free markets, the pervading feeling was now that government could not be trusted in the economy. The broad support towards a freeing market forces, and the removal of the social democratic mandate of the state was, and still remains, difficult for the left to fathom. Defenders of Keynesianism pointed to the logical inconsistencies of the free market coupled with its promises of prosperity, individual liberty and the preservation of American values. Critics warned of the social realities that were masked by a simplified and idealized commitment to the free market. The support of many

¹²⁸ Eisner, *The American Political Economy*, 121

blue collar workers to the new “conservative” program struck Keynesians as turkeys voting for Christmas, as they were unlikely to benefit these groups.¹²⁹ This movement can be seen as a narrowing down of the economic discursive “bandwidth”. The left and right have been converged in character, degree and even in rhetoric.¹³⁰ Political socialism was finished.

In the translation of free market economics into a political program, free market discourse was adapted to re-contextualize certain myths and social imaginaries in American culture. These myths were mostly tapped from the individualist parts of American culture, self-reliance, hard work, market populism, and anti-statism.¹³¹ Central to these myths were their ability to fit the logic of the free market: The view of citizen as a rational, self-interested individual as conducive to the good of society was as such unaltered from the “invisible hand” theory of Adam Smith.

Free market advocates thus engaged in the construction of an American ideal-type that would fit this new environment. President Ronald Reagan frequently invoked rhetoric that constructed the American citizenry as self-reliant and independent individuals that were hindered from achieving greatness by the “overweight” welfare state. The free market idea of citizenship shifted the emphasis from political rights to civil rights in a legal context, such as the freedom of speech, freedom of religion and the right to private property.¹³²

The success of free market discourse is in large part derived from its antagonistic relationship with non-market institutions - especially if these are considered “collectivist” in their organization. These entities were antithetical to the market in that they impeded the functioning of the market for producing the optimal outcome by “distorting” its logic. Labor unions, government agencies, and special interest groups constitute “noise” in the free market environment, and free market advocates framed the efforts of such groups as bureaucratic and inept. A discourse frequently invoked by Ronald Reagan was a re-contextualization of “freedom”, a term which is virtually empty as a signifier, and as such can be molded to fit a broad range of policies. “Freedom”, is a term that derives its meaning not from the term itself but from the necessary opposite that it implies, and as such was effective in Reagan’s rhetoric in the context of the Cold War.

In terms of trade, Reagan staunchly advocated freedom of trade as the path to economic growth. In his 1988 State of the Union Address, President Ronald Reagan held:

¹²⁹ Burgin, *The Great Persuasion*, 6.

¹³⁰ Martin Seymour Lipset, *It Didn't Happen Here: Why Socialism Failed In the United States*. (Norton and Company, NY, 2000), 274.

¹³¹ Lipset, *It Didn't Happen Here*, 274

¹³² Sean Hosking, “The Aspirational Citizen and Neo-liberal Hegemony: A Discourse Theory Analysis”, Ph.D Thesis, (Faculty of Arts & Social Sciences, UNSW, 2011), 67.

One of the greatest contributions the United States can make to the world is to promote freedom as the key to economic growth. A creative, competitive America is the answer to a changing world, not trade wars that would close doors, create greater barriers, and destroy millions of jobs. We should always remember: Protectionism is destructionism. America's jobs, America's growth, America's future depend on trade—trade that is free, open, and fair.¹³³

The crisis of the Keynesian welfare-regulatory had opened up for competing ideas. Reagan's message of the sluggish state resonated with the American public, frustrated by the economic hardships brought by stagflation. The policy prescriptions of "Reaganomics" characterized the following decades. The policies of economic deregulation; cuts in welfare entitlements programs; rejection of Keynesian management of the business cycle; and the advocacy of free markets became the norm for economic governance.

In the mid 1990s, a new political economic compromise formed a body of ideas, which have been labeled "third way". The third way consisted formally of a compromise between classical social democracy on from the left, and free market policies on the right.¹³⁴ Described as "free market policies with a human face", the "third way" differed from the *laissez-faire* platform of Reagan in that it recognized the role of the government as one not challenging market rule in areas of social life, but "correcting market failures" where the market failed to produce the desired outcome.¹³⁵ In economic terms this can be understood as new-Keynesian approach to governing, with an emphasis on; supply-side economics that abandons the objective of full employment, but instead uses monetary policy to curb inflation. This component of some measure of activism on behalf of the state came from the political left, and stood in partial contrast to the *laissez-faire* program as the Reagan Administration has pursued it.¹³⁶

The provision of government services was to mimic market conditions in areas like education or health. The system imagined the citizen as a consumer of the public good, choosing the services of government like any other good. The "third way" pragmatism that sought to build a bridge between left and right, thus built a discursive bridge between the social democratic discourse of the Democratic Party, and the free market policies of the Republican Party. In discursive terms this allowed free market discourses to reach into social

¹³³ Ronald Reagan, 1988 State of the Union Address. *The American Presidency Project* <http://www.presidency.ucsb.edu/ws/?pid=36035> Accessed September 05, 2015.

¹³⁴ Alfredo Saad-Filho and Deborah Johnston, *Neoliberalism: A Critical Reader*. (London: Pluto Press, 2005), 65.

¹³⁵ Eisner. *The American Political Economy*, 124

¹³⁶ Ibid.

democratic discourses and shape the agenda from “redistribution” to “growth”, “competition” and economic dynamism.¹³⁷

With the development of the “third way” compromise during the Clinton Administration, traditional liberal welfare politics was forced to accept the market as the chief allocator of resources. The discourse increasingly shifted to what kind of regulation and how much there should be of it. The third way approach to governance saw markets as in need of permanent assistance and intervention through institutions that are specially designed as being independent of the market. This had little effect on institutions of free market governance.¹³⁸

The early years of the Clinton Administration effectively forced policies to the right as the given the economic circumstances of large deficits made improving the material conditions of their traditional electoral base impossible without raising taxes. The political, economic and intellectual legacy of Reagan had left Clinton with virtually no tools to institutionally go back to Keynesian principles. Clinton had to abandon his ambition to service the more egalitarian elements of the Democratic electorate. Clinton rather attempted to mitigate adverse economic effects once they had occurred. By doing this Clinton effectively granted *laissez-faire* status as beyond the scope of economic politics.

The discursive hegemony was largely established on the part of the classic centrist left representing the American worker was effectively shafted from the Democratic Party. This movement by the Clinton Administration can be seen as partly a failure to bridge the free market discourse with traditional Democratic values of egalitarianism.¹³⁹

Free market discourse now became the backdrop onto which all politics were conducted. It became clear the role of the nation-state was to take a back seat, and that Capital was to be given more leeway in shaping policies and hence social life. In order to become reelected Clinton had to fold in his political program to fit the free market ontology. In a way, the hegemony of free market discourse was not entirely solidified until Clinton’s third way made a return to a “normal capitalism” by conceding the free market as a policies of his predecessor, and in turn institutionalizing these policies with NAFTA.

Although the alliance built between the conservative and those in favor of free market voters in 1970s America was an unlikely one from a logical perspective, they developed a twin discourse where conservative nationalism filled the moral gap that free market discourse was unable to legitimize. The resulting “moral majority’s” emphasis on cultural nationalism,

¹³⁷ Harvey, *A Brief history of Neoliberalism* (2007), 89.

¹³⁸ Robert Bellah et.al, *Habits of the Heart: Individualism and Commitment in American Life*. (Berkeley: University of California Press, 2008), 264

¹³⁹ Eisner. *The American Political Economy*, 143

evangelical faith, moral responsibility and family values, combined with free market signifiers like “freedom (of choice)” worked in tandem with the insistence that the state was the root of all problems, and must be held separate from the nation.¹⁴⁰ The more free market policies dissolved governmental structures, cut welfare and alienated the working class segments of the population, the more conservatism had to function as a social purpose and moral compass of the individual. The more protest and social unrest free market policy caused on the marginalized groups, the more “order” and religious values were needed.¹⁴¹ The political alliance between these groups lasted well into the presidency of George W. Bush, and contributed to the hegemony of free market discourse.¹⁴² This hegemony would be seriously challenged by the financial crisis and the ensuing recession. The financial crisis and the ensuing Recession brought to the fore in American politics a multitude of protests against the free market principles. Americans responded to the events following the Great Recession with outrage, which was reflected on their ballots, putting the liberal Barack Obama in office with a convincing margin. During the height of the crisis, dissatisfaction with the American economic system ceased to be a sentiment shared by a well-informed political minority, but was increasingly the opinion of public debate.¹⁴³ In accordance with Fairclough’s theory on hegemonic transitions, the floor was now open to new economic ideas.

3.7 Summary

The aim of this chapter has been to show how a structural survey of institutions has influenced the American political conversation on the economy. As we saw in the earlier sections, the Keynesian Revolution, institutionalized by the New Deal and the subsequent internationalization of this regime by the Bretton Woods regime put an end to the era of classic liberalism. Dismissed as utopian, and unscientific the intellectual project of liberalism was dismantled and now resided in recalcitrant pockets of mainly non-U.S scholarly milieus. The political economy of *laissez-faire* and the discourses it had produced about the inherent rationality and stability of the market, and the ineptitude of state agency in the economy was overturned completely.

¹⁴⁰ Harvey, *A Brief History of Neoliberalism*. (2007), 84.

¹⁴¹ Bellah et.al, *Habits of the Heart*, 264

¹⁴² Ibid, 85.

¹⁴³ Larry M. Bartels, "Political Effects of the Great Recession" *The ANNALS of the American Academy of Political and Social Science*, (2013), Vol.650(1), 47-76.

Later, free market ideas went from a few intellectuals and into the dominating the policy agenda: From obscurity to hegemony. Ideas, intellectual support and advocacy groups did play a significant role in bringing about the conservative turn. But material conditions were a key factor in all hegemonic shifts that we have discussed.¹⁴⁴ Also the gradual nature of these changes should be remembered as we move on to analysis of the MCE. The New Deal Coalition and free market revolution were all gradual and ambiguous processes that defy the identification of any singular starting point. These shifts from what is considered radical into “conventional wisdom” have been slow, and dependent on several conditions in which merely one of these conditions, like the legitimacy of current arrangements, alone is insufficient to bring about change. This helps us appreciate the current ambivalence in regards to MCE and the inconclusive legacy of the financial crash of 2008.

Indeed, economic radicals have influenced the direction of the political economy of the United States, but as junior associates under the establishment reformers. The political margins have mattered, but only to the extent to which they have been able to influence a political elite. The political goals that can be obtained are dependent on winning over a portion of establishment. Rather than a radical economic program, *laissez-faire* was able to cast itself as a return to “normality” in America. This normality was shaken by the events of 2008.

Chapter 4

4.0 Post Financial Crisis Developments

This chapter discusses current developments in the USA, where the argument is that free market principles as constituting a hegemonic discourse in is suffering from a dislocation of certain core principles, most notably that the state is back in areas previously considered the prerogative of markets. This has created ambivalence where different explanations have been competing for the role as the dominant (hegemonic) narrative to explain the crisis.

Explanations have varied from incompetence, corruption, systemic breakdown or the crisis occurring as a natural or as an inherent feature of the economic system. Thus after the crisis a great subjectivity has arisen where several discourses are making truth claims.

Also, the FTAs will be outlined in some more detail here.

¹⁴⁴ Hart, *The Making of the American Conservative Mind*.

4.1 The State Between the Private and Public

Before we move to the analysis section we must look at the specific areas where the financial crisis and its aftermath have forced public intervention to the extent that supports the thesis assumption that “Reaganite” free market policies are no longer the guiding form of governance. This involves one central aspect of the free market: The role of the state in the economy. Most commonly, the guiding mode of thinking on the public and the private has been that of two separate spheres; the private is that of the market or the personal, and the public is that of the state. The institutional logic of these two spheres have often been considered as two distinctly separate spheres in political theory. Connected to these spheres have been the associations with a set of “virtues” that have shifted according to culture, as we saw in chapter 3. The post World War II welfare liberal state sought to construct the public as the virtuous citizenry imagined in the ideals of republicanism. Here, the public was conceived as an identifiable and concrete counterpart of the state, connected to the state via citizenship. In accordance with republican ideals, the citizenry represented first and foremost unity around certain political ideals, and accepted the subordination of the individual to these goals.¹⁴⁵ The collapse of the postwar compromise and the economic foundations that underpinned this socioeconomic model entailed a shift in thinking about the state, and thus, the public. The inherent logic of the Thatcher/Reaganite free market policies that replaced welfare liberalism was based on the inherent virtue of the *private* sphere. The private sphere – chiefly represented by the market – was inherently “good” and the state was inherently “bad”. Margaret Thatcher’s famous comment “there’s no such thing as society”, can illustrate the free market fundamentalist notion of the public as wholly absorbed in the concept of the private sphere.¹⁴⁶

One of the developments that have been notable after the financial crisis has been the “return” of the public, but not in the social democratic sense that preceded. Instead there has been a hybrid kind of semi-regulation where the discourses that were connected solely to the market have been shifted into more areas of “public” discourse. The actors involved are those of the market, but the kinds of activities have shifted more to the public practices. If we look at the area of finance, and especially various derivatives instruments, the shift after the financial crisis has been that this area that previously belonged to “shadow banking“, has been

¹⁴⁵ Hess, Andreas. *American Social and Political Thought: A Reader*. New York: New York University Press, (2003), 99-100

¹⁴⁶ Margaret Thatcher: a life in quotes. The Guardian

elevated to an area of public concern after decades of non-regulation. The same tendencies are seen in the climate change discourses. This development is reflected through the practices of exercising consumer power, or private initiatives by businesses formulated as the public good. Also the increasing privatization of public functions like security and military is part of this trend. These practices are blurring the lines between public and private into a form of decentralized, networked mode of liberal governance that advances policy more through various state and non state mechanisms than policy directed from a single public source. In economics, the division between private and public is no longer so much who you are or where you sit, but *what you do* (and who you do it for).

Thus we can conceptualize the post-crisis public more as a set of practices, than the inhabitants in the American state.¹⁴⁷ Practices meaning meaningful patterns of activity through which individuals and groups make sense of the world. This way of augmenting our understanding of private vs. public is also applicable to the role of *citizenship* – a key theme in this thesis. Philosopher Slavoj Zizek has identified a “cultural shift in capitalism” or simply the movement towards what he calls “cultural capitalism”.¹⁴⁸ The argument goes that citizens no longer see their citizenship as a relationship directly with the state, but through the lens of the market.

We are thus seeing the return of a “citizen-consumer” but not in the Fordist sense, as this new citizen consumer expects much less from the state, and more from the market. Democracy is seen as too slow; therefore voting with your feet or with your wallet is seen as more responsive to the needs of the public. The “new citizen” is one that demands better products, not better democracy.¹⁴⁹

Meeting these needs are private entrepreneurs, NGOs and a plethora of startups who are attacking the areas where government is sluggish. Via new Information Communication Technologies these are providing information, granting access and giving *voice* to people – particularly among younger groups of voters.

There is increasing awareness that social innovation take place in networks outside the state, while the state remains captive of its bureaucracy. The state has subsequently lost the prerogative of initiative. The states inability to address economic inequality through its regular levers of tax-policies demonstrates this apathy. In recent developments the market

¹⁴⁷ Best, Jacqueline. and Gheciu, Anthony., *The Return of the Public in Global Governance*, 2014, 12

¹⁴⁸ Zizek, Slavoj, *First as Crisis, Then as Farce*. London: Verso Books (2012), 37.

¹⁴⁹ I think it is important to note that the *citizen-consumer* is not necessarily indifferent to socioeconomic outcomes. Rather, the citizen-consumer tries to affect change through other channels than democratic ones. For example, where the consumer is aware that certain types of behavior or products are linked to adverse effects, he or she will try to affect change through the market rather than through politics.

empowers the citizen in a way that the state is unable to do. However, the state can theoretically perform much better than it is currently doing in this environment, and indeed managing a social crisis of the magnitude of the kind of economic inequality the U.S is facing, the state is an indispensable part of the solution. Indeed, since 70% of the American economy is driven by consumption the state is in the position to redistribute some wealth from the top earners to expand the middle class and thereby enable the very system that is providing wealth in the first place. Therefore in seeing how President Obama's MCE envisions the role of the state should tell us what accounts for effective governance in Obama's Administration. Who articulates the social vision in the U.S? Is it the public or is it the state?

Further observations by political economists has been that in this process of re-regulating and normalizing conditions in American economy post-crisis, the public has been redefined in specific ways that has identified it a much smaller group. Far from returning to a new liberal order conceived by Polyani, we are returning to a less democratic public than even that of the traditional "Fordist" conceptions of the public as governmental.¹⁵⁰ While sociologist Robert Bellah identified the advent of the free market state with "a series of dislocations; the market from the state; the public from the private; the nation from the family"¹⁵¹, we are now increasingly experiencing the opposite: a conflation or contraction between the market, the public and the state into a series of networks with no obvious center. Therefore, the problematic that will lie at the heart of chapter five is "who counts as the public?" Another side to this is "what processes are acceptable as public"? What can the post crisis citizen expect from the state?

4.2 Free Trade Agreements TTIP, TPP

In order to fully understand the new domestic economic policy of the Obama Administration, it is necessary to analyze the global context in which Obama's new policy is largely a response to. The United States is currently negotiating two major trade deals that are to pick up the thread from the stalled negotiations at the WTO's Doha round. The TPP (Trans-Pacific Partnership) is a deal between the U.S and 12 Asian countries. The TTIP (Transatlantic

¹⁵⁰ Best, J. and Gheciu, A., *The Return of the Public in Global Governance*, 12

¹⁵¹ Robert Bellah et al, *Habits of the Heart: Individualism and Commitment in American Life*. (Berkeley: University of California Press, 2008), 253

Trade and Investment Partnership) is negotiated between the U.S and the 28-member European Union.

Although three separate deals, should all of these be put in place it would create a free trade area that spans the globe under the regulatory standards of the United States. The TTIP and the TPP will constitute a regional trading zone that will encompass 75% of global GDP. Although the details of the negotiations are subject to utmost secrecy, what is known from official sources and leaked documents are that the TTIP and the TPP goes further than the WTO in all areas.¹⁵² The four central elements of both the FTAs content are:

- A reduction of at-border tariffs to zero.
- A general liberalization of financial services and investments
- A harmonizing of regulatory standards within the trading blocs, and
- A provision of stronger rights on intellectual property.

The FTAs, if implemented, will constitute a significant mechanism by which the U.S can shape political and economic developments in larger parts of the global economy. Although the FTAs are likely to vary in content, they will make considerable advances in the area of *services* from its WTO predecessor. Indeed, border tariffs average 1.4% in the U.S under existing trade agreements. Therefore other so-called “non-tariff” barriers to trade are the most important aspects of the agreements, as these constitute the most important source of revenues for firms in the “information age”. Services and patent rights constitute the “underdeveloped” part of the WTO and this has been a frustration for the U.S ever since the negotiations at Doha fell apart. As services constitute 68% of U.S GDP, but between the U.S and EU, 20% of services are protected. In Asian countries, this number is even higher. Liberalization of services would thus constitute decade’s worth of WTO trade liberalization in terms of the volume of money.¹⁵³ The deals are expected to create more legal certainty in investments services, and hence a better climate for investment. The attraction of investment is a key to the popularity of the trade deals in emerging economies.

However, there is suspicion that the FTAs will not lead to a raising of standards for all parties. The element of harmonization of regulatory standards has attracted suspicion in the EU, as many of the European standards for food production or car safety etc., are not as

¹⁵² “TTIP, TISA and TTP – world trade revolution?” Alliance Süd Bank, October 23, 2014 <http://www.alliancesud.ch/en/policy/trade/ttip-tisa-and-ttp-2013-world-trade-revolution> Accessed September 05, 2015.

¹⁵³ Daniel S. Hamilton, “America’s Mega-Regional Trade Diplomacy: Comparing TPP and TTIP”, *The International Spectator*, 49:1, 81-9, (2014), 91.

stringent in the U.S compared to those of the E.U. The White House Council of Economic Advisers state the FTAs as “values driven”, which seeks to ensure a higher standard for all parties: “The Administration’s policy is to encourage trade agreements to promote a “values-driven” trade regime that maximizes globalization’s benefits while addressing globalization’s problematic side-effects.”¹⁵⁴ Enforcing these standards is delegated to an Investor-State Dispute Settlement (ISDS) body to protect investment from political intervention; similar institutions have been created for other trade regimes like the NAFTA-agreement or the WTO. The ISDS body creates the international legal provisions for investors to sue independent governments, something which would be legally difficult under current international law.

4.2.1 Criticisms of the FTAs

The FTAs have been met with great suspicion. Much of the criticism has been directed against the FTAs possible adverse impact on working Americans, the secrecy surrounding the negotiations, and the almost exclusive involvement by corporate representatives in crafting the agreements. In the eyes of the critics, these trade agreements, are seen as a joint corporate and geopolitical project that seeks to superimpose a corporatist regime over democratically elected institutions. Far from helping economic growth beneficial to working Americans, the deals open up the U.S to more foreign competition, further undermining the power of labor, as experience with past deals are seen to have done. For the supporters of the trade deals, they are seen as a welcome set of regulation that will bring transparency, accountability and predictability to an anarchic global economy where cheating and manipulating goes on unhindered.

The ISDS has been (so far) one of the most protested aspects of the agreements for two reasons. Firstly, this part of the agreements has been publicly known since negotiations began, and thus for long has been one of the known details of the agreements. Second, concern has been raised because ISDS will provide an independent court system *outside* the national jurisdiction of the state in question, where corporations can file lawsuits against that government should its policies negatively impact corporate profits.¹⁵⁵ The legal protection of investors is not just intended for the purposes of unfair treatment, but for the loss of profits by local regulations. The ISDS could undermine U.S democratic institutions, by offshore companies suing American state or federal government over the loss of profits.

¹⁵⁴ 2015 Economic Report to the President, 301

¹⁵⁵ Ibid.

Another criticism that has been posited has been along the lines of the “infant industries” argument from development studies. Here, experience has showed that the adoption of free trade between unequal partners has led the strong party to accrue disproportionate advantages. Far from being a policy for developing underdeveloped nations, free trade has undermined the right of the state of the weaker party to protect start-up industries. Trade protection is seen as something that provides an equal footing in global markets, rather than cheating. On the web pages of the special Trade Representative of the United States it reads: “Commitments ensuring SOEs [state-owned enterprises] act in accordance with commercial considerations and compete fairly, without undue advantages from the governments that own them, while allowing governments to provide support to SOEs that provide public services domestically.” In relation to the Trans Pacific Partnership where several of the U.S’ potential trading partners are not fully developed, the agreements are feared to produce an American walkover of infant industries.¹⁵⁶ Especially in regards to the pharmaceutical industry (who is one of the sectors that have been most involved in the pushing for intellectual property rights) that would get stronger patent rights for generic drugs. The patent system, while compensating companies for medical R&D, should also balance profits with the interests of making life-saving drugs available to those that need it. In addition fears of extending patents in other areas where there has been relative freedom of information, like biology (crops, seeds) and creative works (books, movies, music) has been the target of fierce criticism from people who see the FTAs as a process of commodifying public goods.

The “democratic deficit” of the deal negotiations, however, has been the main source of suspicion. So far the FTAs have been anything but democratic. The deliberations of the trade deals have been overwhelmingly a corporate discussion, and not a democratic one. In the case of TTIP, 92% of the consultations that have been involved in crafting the deal have been corporate lobbyists.¹⁵⁷ This has raised considerable suspicions and protest by various groups from ant-globalization to more moderate forces on the left. Economist Paul Krugman called the deals a “gross mismanagement of globalization” in the NY Times.¹⁵⁸ The Obama Administration has also been met with fierce protest for betraying its Democratic Party constituency, which includes labor unions, environmental groups and consumer advocacy

¹⁵⁶ See: Ha Chang. *Kicking Away the Ladder: Development Strategy in Historical Perspective*. London: Anthem (2002),

¹⁵⁷ Molly Scott Cato, “I’ve seen the secrets of TTIP, and it is built for corporations not citizens”, *The Guardian*, February 04, 2015 <http://www.theguardian.com/commentisfree/2015/feb/04/secrets-ttip-corporations-not-citizens-transatlantic-trade-deal> Accessed September 04, 2015.

¹⁵⁸ Paul Krugman, *On the Wrong Side of Globalization*, NY Times <http://opinionator.blogs.nytimes.com/2014/03/15/on-the-wrong-side-of-globalization/> Accessed 20 October, 2015

groups. In the material from the White House, there is little mention on the economically distributive aspects of the deals, save from the elements that American businesses now can capitalize on better exporting opportunities, and that this will provide more high-paying jobs in the U.S. the fact that this might mean more competition and that some American businesses might lose has not been communicated thus far. The generically sanguine view of trade that has been put forth is typical of classical economic liberalism which holds that trade invariably produces benefits for all parties.¹⁵⁹ Notwithstanding the President's public reassurances of the benefits of the trade deals, the deals remain controversial.

4.2.2 U.S Geopolitical Concerns

As the U.S is the only party that are in both sets of negotiations – the TPP and TTIP, this will bring a significant geopolitical advantage for the U.S from being able to play these regions against each other to advance U.S interests.¹⁶⁰ Further, although the precise economic benefits from these agreements are hard to predict, the White House operates with its own estimates of \$295 billion annually for TPP and \$127 billion from TTIP, respectively.¹⁶¹ The majority of this income is predicted to come from the U.S as an energy provider of fossil fuels due to the recent innovations in horizontal drilling techniques that have provided access to oil and gas resources that have previously been inaccessible.¹⁶² This is where the TPP and TTIP come in. They can be understood as agreements that provide gains to all parties, but relatively more gains to the U.S economy. The deals are a part of a geopolitical strategical shift that has been dubbed the “Pivot to Asia”, in the words of then Secretary of State Hillary Clinton in 2011.¹⁶³ The aim of this strategy is to achieve greater *differential growth*¹⁶⁴ than U.S competitors

¹⁵⁹ Ibid.

¹⁶⁰ Ibid, 82.

¹⁶¹ Francois, J., M. Manchin, H. Norberg, O. Pindyuk and P. Tomberger. *Reducing Trans-Atlantic Barriers to Trade and Investment. An Economic Assessment*. London: Centre for Economic Policy Research, March 2013.

¹⁶² Ibid, 83-84.

¹⁶³ "America's Pacific Century." Foreign Policy Americas Pacific Century Comments. 2011. Accessed November 14, 2015. <http://foreignpolicy.com/2011/10/11/americas-pacific-century/>.

¹⁶⁴ *Differential growth*, as opposed to absolute growth, simply means that the U.S grows *faster* than its economic rivals. A wealth of advantages arise from comparatively faster growth, chief among these are considered: increased control over transnational production chains and the ability to attract large shares of capital as foreign direct investment. Fast growth thus becomes a self-reinforcing cycle. For example Herman Schwartz argues that the previous strategy for U.S (differential) growth is the Subprime-mortgage regime (which came to an end with the Financial Crisis). The extraction of equity from homes made the U.S escape economic constraints that other countries could not, and thus pursue a consumer created economic boom that sucked in capital from all over the world. For more on this, see: Herman Schwartz (2010) "Structured Finance for Financed Structured: American Economic power before and after the global Financial Crisis", found in: Martijn Konigs Ed., (2010) *Beyond the Subprime Headlines: Critical perspectives on the Financial Crisis*, London: Verso, 2010.

(China predominantly), which constitute a crucial source of U.S global power. That means growing faster than your competitors is more important than growth in absolute numbers. This strategy has been colloquially labeled “Let’s Run Faster”, and is broadly speaking a strategy of comparatively diminishing Chinese influence by a combination of forces. Here outlined by Ashley Tellis:

[...]improving the efficiency and the innovative capacity of the American economy to enable the US to dominate the new leading sectors of the global economy; renewing the ability of the US to project its military power globally despite all anticipated opposition; buttressing the national power of the countries geopolitically pivotal for balancing China [...] so as to amplify the constraints on Beijing’s capacity to misuse its power and provide Washington with a local first line of defense; and, finally, to erect a new institutional overlay on the multilateral trading system that would enable the US and its friends to correct the losses suffered from China’s imperfect entry into the liberal trading order while at the same time enhancing their own gains from trade.¹⁶⁵

While in terms of soft power resources, America’s standing in world opinion has greatly improved under President Obama, fears of “decaying American power” in the U.S have not receded.¹⁶⁶ A broad range of critics has attacked President Obama for not having a global strategy and for being flimsy in regard to U.S foreign policy. Prominent economic historian Niall Fergusson stated in an article in *Newsweek* that the U.S’ failure to control negative developments in the Middle East were “the predictable consequence of the Obama administration's lack of any kind of a coherent grand strategy, a deficit about which more than a few veterans of U.S. foreign policymaking have long worried.”¹⁶⁷ Thus, there exists no “Obama Doctrine” that states a clear-cut mission for the United States, as it did for his predecessor George Bush.

However, the absence of an articulated grand strategy should not mean that the Obama Administration is absent a geopolitical strategy. True, if we accept Daniel Drezner’s definition of a grand strategy as a “clear articulation of national interests married to a set of operational plans for advancing them”, then we can say that Obama has not yet articulated such a strategy.¹⁶⁸ Notwithstanding the absence of such a strategy, actions sometimes speak louder than words, as is often the case in great power politics. It should be remembered that Obama has not fundamentally changed the direction of American power after his predecessor. In terms of action the Obama administration has provided strong indications in policies and reform suggestions that deploys power more “smart” but no less forceful in key areas of interest.

¹⁶⁵ Ashley J.Tellis, “The Geopolitics of the TTIP and the TPP”, *Adelphi Series*, 54:450, (2014): 93-120,106.

¹⁶⁶ Amílcar Antonio Barreto & Richard L. O’Byrant, *American Identity in the Age of Obama*, (NY: Routledge, 2013), 214.

¹⁶⁷ Found in: *Foreign Affairs*, “Does Obama have a Grand Strategy” Daniel W. Drezner, <https://www.foreignaffairs.com/articles/2011-06-17/does-obama-have-grand-strategy> Accessed September 05, 2015

¹⁶⁸ Ibid

Obama's "pivot to Asia" remains a strategic rule, and TPP cannot be seen as separate from American containment policies against China.

4.4 Conclusion

As we will see in the next chapter, China represents a powerful symbol in the "American decline" discourse, and China's embarking on a series of institution building initiatives in Asia parallel and apart from institutions where the U.S. wields influence is generating considerable concerns in Washington. Despite the FTAs objective to include many large Asian economies under a new trading regime, TPP in fact excludes the U.S.' second biggest trading partner – China. As a part of a strategy that aims to create new opportunities for the American middle class through exports this strikes one as perhaps conflicting. If Obama wants to help the middle class by opening up new markets for American goods, the Administration is alienating one of the potential biggest markets in the world. The choice of the Obama Administration to lump the strategical shift to Asia and MCE together in one group of policies to save the American middle class is thus a demanding sell. However, the FTAs serve a moral purpose that underlies President Obama's vision of the American people as a moral and hardworking people in relation to the outside world. This will be explored in the next chapter.

This chapter has outlined the FTAs and discussed them as a parallel development to MCE. It is important to note the potential conflicting messages in championing further trade liberalization which despite its rhetoric seems like a corporate project absent democratic voices. The skepticism in the U.S. against "big business" and further economic liberalization makes these. Enough knowledge exists about the trade deals to render the form of them visible. And the form cannot be said to contain any new economic or social provisions that are not grounded in the generic belief in free markets that hold that trade liberalization benefits all parties.¹⁶⁹ Therefore the domestic part of Obama's economic program can be seen as the part that will help the middle class by enabling them to better take advantage of the new trading regime.

¹⁶⁹ Paul Krugman, "On the Wrong Side of Globalization" NY Times (March 2015) <http://opinionator.blogs.nytimes.com/2014/03/15/on-the-wrong-side-of-globalization/> Accessed Nov 12, 2015

Chapter 5 Analysis

5.1 Negotiating Tensions Between the Universal and the Particular

Returning to the theorizations of Karl Polyani and John Ruggie, and the writings of Hayek, we can identify that one of the core assumptions of the advocates for a free market society has been the conception of market “universality” – the spontaneous, natural and benign nature of markets. This rests on three assumptions: First, markets, left to their own devices, collect information most efficiently. Thus no politician or government regulatory agency can “know better” than the market does through price signals. Secondly, the market will provide optimal resource allocation, thus ensuring social welfare by optimizing society’s resources. Lastly, that all market participants will through competition converge on the correct economic model. This means that there will eventually be only one way of organizing an economy once this “optimal mode” has been arrived at. This is what “new classical” economic theory calls “rational expectations hypothesis”.¹⁷⁰ In other words, markets are *inherently* efficient, conducive to optimal outcomes, and they are the inevitable and only way of social organization.

This renders the state and cultural aspects insignificant, and places tremendous importance in the global economic sphere. The logic that springs from this theory on universality means that contrary to claims to “neutrality”, markets as the supreme organizing principle of any society can be seen as highly normative. Indeed, this was Keynes’ and other welfare liberals’ main critique of the free market society: It ignored the social dimension of economic behavior. Any sense of morality or irrationality (which he called “animal spirits”) dissolved in treating the market mechanisms as external to society. Keynes sought to minimize the power of the individual economic agent in the market by subjecting markets to state management, thereby striking a balance between the global markets and the local economic context. The implications of the trade deals by The White House may be said to come down on the side of new classical economy, as nearly all advantages from trade arise from the market mechanism associated with the Ricardian “comparative advantage”. Here, trade is held to naturally increase productivity and innovation. But also, it acknowledges the role of the state to shape globalization through policies mitigating the adverse effects of free global markets. Despite the best intentions, it may be fair to state that MCE is about creating

¹⁷⁰ Best, Jacqueline. "From the Top-Down: The New Financial Architecture and the Re-embedding of Global Finance." *New Political Economy*: 363-84, p.370

an innovative middle class, than it is expanding the middle class downwards. From the 2015 Report:

The process of globalization offers many new economic opportunities, but it also has created challenges. Globalization is a result of both worldwide economic developments and specific policy changes. Analyzing globalization's general impact is different from analyzing any particular trade agreement. Understanding the impact of any particular agreement requires both historical research, as well as an analysis of the relative tariffs of trading partners, NTBs, and the relevant standards (for instance, labor, environment, and intellectual property).

Nevertheless, historical experience does underscore the potentially large gains from trade. In the past half-century, as trade barriers around the world have diminished, these gains have multiplied and are increasingly shared across different countries and different industries. Among these classic gains from trade are lower prices for consumers and producers, greater variety of goods and services available for purchase, enhanced productivity, and increased innovative activity.¹⁷¹

When analyzing economic publications from The White House and numerous independent articles, there is little consideration to the potential wage depression of these deals. Worker's wages as seen to only rise as access to export-oriented jobs increase, as these jobs generally pay better than firms that produce for the domestic market only. There is little reflection upon increased competition becoming a force driving wages down, or that the non-export businesses might be adversely affected by the FTAs. On economic inequality the 2015 Report holds a very sanguine outlook in the ability of the agreements to act as a force for good by virtue of its regulatory provisions:

Any particular agreement must be assessed based on an analysis of its tariff provisions, its reduction of NTBs [non-tariff barriers] to exports, and its provisions that promote higher standards. This can lead to a quite different outcome than globalization more broadly. Labor and environmental protections in trade agreements, in particular, would likely push in the opposite direction of globalization-driven increases in inequality.¹⁷²

Interestingly, the 2015 and 2014 Reports reveal striking similarities with the 1994 Economic Report to President Clinton in reference to the NAFTA negotiations. NAFTA too was intended as a establishing a regulatory regime that would curb abuse, boost economic growth and avoid a "race to the bottom". As with MCE, domestic policies aimed at retaining the *technological* and *productive* advantage over competitors were issued in parallel to NAFTA to bolster the American worker. Consider this corresponding passage from the 1994 Economic Report to the President:

Realizing this goal requires that America compete not on the basis of lower wages, but on the basis of superior productivity, technology, and quality. It also requires that our trade policy be complemented by domestic

¹⁷¹ 2015 Report, Pp.304

¹⁷² 2015 Report, P. 310

policies designed to increase labor force skills and facilitate the adjustment of American workers and communities to changing economic circumstances—whatever their source.¹⁷³

Now, the legacy of NAFTA in regard to the American middle class specifically is mixed, but its effects on the working class Americans have been devastating.¹⁷⁴ The effects of the domestic social policies to weigh up for increased competition in manufacturing did not benefit the “blue-collar” worker in the short run. On an a priori basis, it is understandable that the TPP and TTIP are met with skepticism by working class interests in America, as MCE offers the exact same remedy for avoiding a “race to the bottom”. The emphasis is on “worker flexibility”, “re-training” and “dynamism”, which will “give our workers the tools they need to compete in an ever-changing world”.¹⁷⁵ This flexibility coupled with the provision of increased social security is reminiscent of Clinton’s rhetoric connected to the NAFTA deals. If we consider that the intensions of MCE to provide for increased social welfare net, then this might stop the bottom from dropping from under the economy. However, the government’s ability to stimulate a “dynamic” workforce may be overestimated. In addition, at the time of NAFTA, the U.S retained much more of a competitive edge against its trade counterparts, plus NAFTA covered relatively fewer trading partners in terms of dynamisms and productivity than in today’s global economy. At a speech delivered at the City Club of Cleveland Ohio on March 18, 2015, President Obama has uses the phrase these trade deals “haven’t always lived up to the hype”. This is the preferred phrase that Obama uses when he introduces the FTAs. The objective is to acknowledge and defuse arguments comparing the trade deals to NAFTA.¹⁷⁶ “We can keep our exports and protect our workers with a strong new trade deal – first in Asia, then in Europe – that are not just free but also fair.” [...] Here in Ohio you saw fist hand that a lot of past trade deals didn’t live up to the hype”.¹⁷⁷

As the details of the FTAs are kept secret, one must simply believe the president bona fide committed to regulations that will prevent a “race to the bottom”. Nevertheless, we can say this represents a partial rejection of free market assumptions that unbridled free trade is generically of the good, and this opens up for the normative aspects of the specific deals to be discussed. The role of the state is to shape globalization so as to produce gains for the local communities.

¹⁷³ 1994 Economic Report to the President (The American Presidency Project) p.206

¹⁷⁴ Robert E. Scott, “The High Price of Free Trade”, The Economic Policy Institute, (2003)

¹⁷⁵ Weekly Address: Fighting for Trade Deals that Put American Workers First (YouTube); <https://www.youtube.com/watch?v=RN4pfxOtdxk#t=55>

¹⁷⁶ The President uses this rhetoric on at least four separate occasions in published speeches. Here found in: Weekly Address: Fighting for Trade Deals that Put American Workers First (YouTube)

¹⁷⁷ Remarks by the President at the Ohio City Club March 18, 2015 (The White House) <https://www.whitehouse.gov/the-press-office/2015/03/18/remarks-president-city-club-cleveland> Accessed September 11, 2015

In terms of its blend of discourses, MCE seeks to strike a balance between these two by adopting a “third way” approach between the market tensions and local autonomy. The problematic relationship arises when one considers who will represent the “local”, as the TPP and the TTIP Dispute Settlement Mechanism are multinational institutions staffed by corporate representatives. This will serve to lift decision-making power in economic matters out from the state and federal court systems, and surrender the interpretation of justice to the logic of capital and profits.

In order to present this as a legitimate project, a “bottom-up” narrative is created. Supporting this narrative is a type of *identity politics* that seeks to put a “face” on the FTAs. These seek to connect the middle-class policies to specific identities of young entrepreneurs who are market participants, but also concerned. Amongst these are The White House home page features a blog that features American business-owners who are sending in their personal endorsements on the benefits the FTAs. The site is called “the list”, and is found under the heading “I’m an Ambassador for Better Trade”¹⁷⁸

One of the two samples in this section is an email contribution from owner of a small business called “The Pro’s Closet” that makes bike parts in Colorado. The two letters in this section feature very overt promotional discourse by Martin, the young and fresh looking owner. The sub-header reads: “Nick Martin is the co-founder of The Pro's Closet, an online used-cycling business. He sent the following email to the White House list to highlight why a better trade deal means a brighter future for online businesses like his.” The type of promotional discourse engages in a variety of constructions of “homeliness” and “dynamic local communities” and other reassuring messages to persuade the viewer of the benign effects of the TPP deal. “The Trans-Pacific Partnership isn't just President Obama's proposed trade deal -- it's mine, too. It's a trade deal that millions of other online small business owners in this country would be proud to add their name to.”¹⁷⁹

This type of narrative is found in much of the sampled material from the Obama Administration. Such language lets the user know that the trade deals are not just the project of the corporate elite, but represents the execution of the will of small business America, many of which sector as middle class. This seeks to give democratic legitimacy to a project that has been seen as advancing the special interests of the well-to-do:

¹⁷⁸ <https://www.whitehouse.gov/better-trade> Accessed September 02, 2015

¹⁷⁹ Why Good Trade Deals Matter to a Business Like Mine: (The White House) <https://www.whitehouse.gov/blog/2015/03/04/why-good-trade-deals-matter-business-mine> Accessed September 01, 2015

International customers aren't just good for business abroad; they're great for my Colorado communities. Why? Because selling in more markets means I can hire more people here at home. In fact, more small businesses are using the Internet to grow their business by reaching new customers they couldn't reach before.¹⁸⁰

President Obama's rhetoric is not only reacting to reality as he sees it. Such a view disregards the active constituting function of discourse. The moral discourse that President Obama is constructing through discourse can serve to shape certain types of behavior on the part of the agents in this economy. In this respect, the moral economy discourse seeks in large measure to transform the function of the economy independent of its *structures*. In line with observations on American society that have held that community values have checked the negative effects of American free market arrangements formulated by Alexis de Tocqueville as "the principles of self-interest properly understood."¹⁸¹ Indeed, this tension between individualism and community has been the object of concern, admiration and analysis since the founding of America. This emphasis on moral community and social capital has often been seen as one of the pillars of American society. Social capital, a term that Robert Putnam brought into vogue is described as: "features of social organization, such as networks, norms, and trust that facilitate coordination and cooperation for mutual benefit."¹⁸² President Obama's economic model is couched in the rhetoric of the economy as constitutive of "us". As the American public's trust in government has been on the decline this is an important consideration. Obama's MCE aims to re-build trust – both and towards the state, and between Americans.¹⁸³ Economic inequality is connected with declining social capital, and Obama's rhetoric serves to remind Americans that the nature of an economy is mutually beneficial: "We believed that sensible regulations could prevent another crisis, shield families from ruin, and encourage fair competition."¹⁸⁴

With the use of *communitarian* discourse, the tensions between the international and domestic pressures are reconciled. More jobs at home means a more thriving community. Repeating the President's formulations: That is why it is so important that we secure the Trans-Pacific

¹⁸⁰ "Why Good Trade Deals Matter to a Business Like Mine" (The White House). <https://www.whitehouse.gov/blog/2015/03/04/why-good-trade-deals-matter-business-mine> Accessed August 22, 2015

¹⁸¹ Alexis de Tocqueville. *Democracy in America: How the Americans Combat the Principle of Individualism by self-interest Properly Understood*. Chapter VIII

¹⁸² Robert D. Putnam, "The Prosperous Community: Social and Public Life", *American Prospect*, 13 (Spring 1993): 35.

¹⁸³ Gallup Poll "Trust in Government" <http://www.gallup.com/poll/5392/trust-government.aspx> Accessed August 31, 2015

¹⁸⁴ SOTU 2015, <https://www.whitehouse.gov/sotu>

Partnership, a new kind of trade agreement that will ensure America writes the rules and levels the playing field for online businesses and American workers [...]¹⁸⁵

In order to fit the traditionally contradictory logics of pursuing trade liberalization and protecting the middle-class, the Obama Administration is deploying a series of rhetorical techniques to increase the legitimacy of his agenda. There are conspicuous absences from the picture painted which arouse doubt about the intentions for creating a type of embedded liberalism that can negotiate between global competition and beneficial outcomes on both sides. There is little mention of the word “corporations” as benefactors of the FTA’s in any of the sampled material on TTIP and TPP. However the word “worker” is used routinely, helping present the trade agreements as a project for the working middle class. Surely, the idea is not to construct a free trade zone from the Caucasus to Asia as a project to support unionization?

Also, decidedly tones down, is the aspect of these agreements as a global *competition*. The competition discourse, which predominantly belongs in free market discursive formations, will be the objects of the next section. However, the FTAs shift the rhetoric towards a “workers” “playing by the rules”, and “fairness” in a distinctively conservative discourse. The element of competition is reformulated and replaced with “protection”. Presumably, the American workers will not just be getting “access to 95% of the worlds customers”, but also correspondingly big share of the worlds producers?

Moreover, the “level playing field” formulation is never used in the context that it may be companies *within* the U.S who are cheating. Indeed, as the financial crisis revealed, corporate moral hazard endangered the American economy from within the country. Thus, the MCE as a part of a fairer globalization project is based on the assumption that the U.S partners are the only cheaters under the current arrangements, and that the rest of the world must be brought up to U.S standards. The only advantages that are to accrue the U.S are material in nature. This lack of self-reflection is highly paternalistic and post-colonial in sentiment as it carries with it a sense of creating economic liberalism from the top-down. A set of Western, universal norms are to bring the world up to our standards, thereby folding in a long tradition of the IMF and the World Bank of imposing a universal set of standards that are formulated in Washington on emerging economies.¹⁸⁶ As well as remaining silent on abuses by corporate America, that, paradoxically, MCE is supposedly put in place to fix at home. Although presented as a project of “embedded liberalism” in the Ruggian sense, based on the

¹⁸⁵ Ibid.

¹⁸⁶ Jacqueline Best, “From the Top-Down”, 364

information we possess at the moment, it seems unlikely that a “glorious compromise” like that of the post-war era can be forged by TPP, TTIP and TISA. For that it simply is too far removed from democratic institutions, and seeks to place too few restrictions on the flow of capital, and allows too little national autonomy – the President’s rhetoric notwithstanding.

Thus we can perhaps move to the next section with a definition of “embedded neoliberalism” as the normative social purpose of which “fairness” will be decided within the new American trade regime. According to Bastiaan van Apeldoorn, embedded neoliberalism can be defined as: “neoliberal inasmuch as it emphasizes the primacy of global market forces and the freedom of transnational capital. Yet, as a result of such processes, markets become increasingly disconnected from their post-war national social institutions.”¹⁸⁷ However, there are certain modifications from *laissez-faire* inasmuch as the FTAs and MCE identify the middle class and economic downsides of unchecked markets.

5.2 The State Between Markets and Welfare

Now that we have determined some discursive differences between MCE and its free market predecessor in regards to how the international regime envisions the role of the U.S government in relationship with the international financial architecture, we turn to how MCE sees state responsibilities vis-à-vis its citizens. How does this depart, if at all, from free market conceptualizations of citizenship? A core discourse in free market fundamentalism concerns the legitimacy of government activity in the national economy. This discourse defines the political rights and duties of citizens of the nation. As has been stated, political culture in America has traditionally been more favorable to liberal economic policies than many European countries. However, the content and form of American liberalism has changed considerably, as discussed in chapter 3. Therefore the way *liberalism* is defined is a prime focus of this section. The period of welfare liberalism that preceded the market liberalizations of the 1980s reserved the role for the U.S government as an active player in shaping economic outcomes, and as a provider of certain economic rights to all citizens. The citizens’ economic well being was connected to the state via the Keynesian countercyclical deficit spending, the War on Poverty, affirmative action initiatives, and federally funded welfare programs like AFDC (Aid for families with Disabled Children), and Social Security. All this was paid for by high tax rates, and an especially high marginal top tax rate. With the

¹⁸⁷ Bastiaan van Apeldoorn, *Transnational Capitalism and the Struggle over European Integration*. (London: Routledge, 2002), 82

advent of the free market policies under Reagan, many of these initiatives by the state were rolled back on, and the responsibilities for economic welfare transferred to civil society and to the private market. Taxes were cut in several rounds, and the top income earners' tax rates dropped from 70% before Reagan took office to 28% in 1986.¹⁸⁸ Reagan famously said: "Government is not the solution to our problem. Government is the problem."¹⁸⁹

In terms of discourse, then, free market hegemonic formations can be identified in certain key nodal points that define the scope of state activity. We saw in chapter 3 that the importance for a new economic discourse to be accepted it had to conceptualize a version of "liberty" that is attractive under given circumstances, as such terms are powerful in American culture and serve as empty signifiers which are obvious sites of discursive contestation.

As discussed, MCE departs from the Reagnite free market policies is its recognition of some of the *limitations* of markets in producing beneficial social outcomes, and of the return of a normative self-reflexivity of that characterized the Keynesian welfare state. This brings us to the conception of *citizenship*. Citizenship has been described by Colin Hay as the "relationship between the state and civil society, as expressing the obligations and duties of the individual 'citizen' within civil society to the state, and of the state to its 'subjects'".¹⁹⁰ When tracing this definition to the hegemonic economic discourses that constitute the framework of this thesis, we see that MCE departs from free market conceptions of citizenship especially in the areas of *welfare* and *infrastructure*.

In American culture, welfare liberalism and free market liberalism have varying expressions of citizenship, but have usually converged on the same general goal of providing maximum security and material well being for its citizens, while retaining individual choice as much as possible regarding the kinds of goals one wants to pursue. The differences have been how and by whom governance will be provided within this framework. One of the legacies of the Progressive movement has been the belief in technological and scientific advances for the betterment of social conditions, and that these factors can be brought to bear on this process. During the period of welfare liberalism, the state gained unprecedented capacities to act on behalf of what it defined as the public interest. Given the hegemony of Keynesianism and the historical circumstances that gave rise to the New Deal coalition, this resulted in the expansion of welfare and the creation of a notion of citizenship that was very public and political. Free market liberalism, suspicious of this type of citizenship that relied

¹⁸⁸ Eisner, *The American Political Economy*, 122

¹⁸⁹ *Ibid.* 122.

¹⁹⁰ Colin Hay. *Re-stating Social and Political Change*. Buckingham (England: Open University Press, 1996.), 66

too much on the state for economic “favors”, constructed expressions of citizenship that was private and moral. Arguably, this conception of economic citizenship has continued throughout the Presidency of George W. Bush. The huge budget surpluses of the economic boom under Clinton was not to be used to increase Social Security, but to come in the form of tax cuts on the wealthy. The view on the market as legitimate provider of economic security persisted as a bipartisan consensus throughout this period, and has only been the subject of political discussion after 2008.¹⁹¹

The policies of the Obama Administration mark something of a break with earlier focus on austerity and welfare. Free market liberalism’s insistence on the corrupting influence of welfare as “creating a permanent underclass dependent on the state” has been a discourse that has tended to hold welfare as an absolute expense of the state, and not a source of saving money in a socioeconomic perspective. Upon analyzing economic data from The White House; especially after the Administration articulated the MCE program, the discourses of MCEs economics are very social. It identifies the role of social policies in making business more effective, and making macroeconomic sense. MCE connect social welfare and economic growth, whereas the free market discourses in its insistence that markets produced automatically the optimal outcome, failed to see the macroeconomic benefits of a social economic policy. Consider Ronald Reagan’s 1986 State of the Union Address, on the role of the state:

As we work to make the American dream real for all, we must also look to the condition of America's families. Struggling parents today worry how they will provide their children the advantages that their parents gave them. In the welfare culture, the breakdown of the family, the most basic support system, has reached crisis proportion.¹⁹²

Welfare is here seen as a threat to not only to the economy, but also to family values. Conversely, MCE is centered on providing families with an economic safety net, and also connect this form of welfare to sound economic policies. The President’s proposals recognizes the need for employers to adopt more flexible work policies that seek to recognize that modern families do not always have a stay-at-home parent. Therefore it is necessary to provide for a more social work policy.

Also, free market discourse is not without conception of the unfortunate in society. However, the difference is as noted one of whose job it is. Relieving of the suffering of the

¹⁹¹ Eisner, *The American Political Economy*, 138

¹⁹² Ronald Reagan, 1986 State of the Union Address, The American Presidency Project. <http://www.presidency.ucsb.edu/ws/?pid=36646> Accessed September 9, 2015.

poor is private virtue, not as government responsibility. Reagan: “It’s time to reject the notion that advocating government programs is a form of personal charity.”¹⁹³

Increasingly, empirically minded economists are realizing that the provision of a safety net will not discourage innovation or mushroom the state’s outlays, but those economists who are not of this conception inform usually free market discourses. Welfare is good for business. As the 2015 Report concludes that “[...] research suggest that work-family friendly policies have significantly improved worker performance in firms and industries that have tried them.”¹⁹⁴

The formulation of this sentence conveys almost genuine surprise to make that discovery. Nevertheless, MCE is a step forward in this direction, even though many of its policy recommendations will not be implemented by at the Federal level. The increasing realization in the U.S that providing a social economy is necessary in a modern society is a significant departure from past policy, and can have implications for the rest of the world. The 2014 and 2015 Economic Reports to the Presidents devote significant attention to the need for the re-introduction of welfare arrangements that make workplaces “family friendly”. MCE recognizes that welfare is not only compatible with economic growth; it is a cause economic growth. Therefore the view of welfare as leading to “big” governments, or growing deficits is logically and rhetorically contested:

Paid leave and workplace flexibility hold great potential to benefit businesses as well as our economy overall through improved economic productivity. A body of research finds that these practices can benefit employers by improving their ability to recruit and retain talent, lowering costly worker turnover, and minimizing loss of firm-specific skills and human capital, as well as by boosting morale and worker productivity.¹⁹⁵

One trend that can be taken as an indication of a discursive shift in U.S economic circles is the increasing fascination, if not attraction with Scandinavian social democratic models, and Germany and other European countries is increasingly heard by policymakers. President Obama in the 2015 State of the Union Address:

Today, we are the only advanced country on Earth that doesn’t guarantee paid sick leave or paid maternity leave to our workers. Forty-three million workers have no paid sick leave - 43 million. Think about that. And that forces too many parents to make the gut-wrenching choice between a paycheck and a sick kid at home.¹⁹⁶

¹⁹³ Quoted in: Bellah et.al, *Habits of the Heart*, 263

¹⁹⁴ 2015 Report, 192.

¹⁹⁵ 2015 Report, 197

¹⁹⁶ SOTU 2015

This American “lagging behind” discourse is usually accompanied by comparisons to other countries’ welfare systems. An American President that compares the U.S to the rest of the world and finds it wanting more in a State of the Union Address can be said to be a novelty indeed and a comment on American exceptionalism in adjustment.¹⁹⁷

Although there is decidedly a partisan split on this issue today in America, the recent growth in the American economy means that President Obama does not have to make the kind of choices that Bill Clinton had to make in terms of abandoning welfare at the start of his term. MCE recognizes that to attract the kinds of hi-tech middle class exporting jobs it wants for America, the state should provide more in terms of welfare. Also, this policy recognizes the needs of a “modern” family that usually has two breadwinners thus a sick child will keep one working parent from going to work. Public funds for family-friendly policies are seen as crucial to enhance productivity of the modern family.

Connected to the “lagging behind” discourse is the recognition of the poor state of America’s infrastructure. Arguably, all kinds of economic discourse recognize the need for modern infrastructure. The problems arise when the debate turns to how to pay for upgrades. MCE aims to invest in America’s infrastructure, and sees this as a hindrance towards U.S advancement economically, and to facilitate for middle class jobs. Thus, President Obama is forcing a conversation on tax reform. The most pronounced parts of his tax proposals are to simplify the tax code. This means ending many of the special tax laws like the “carried interest” and “capital gains” clauses that have provided profitable loopholes for corporations and hedge funds with capital income.¹⁹⁸ This is a sensitive point for the free market Right, who are invoking the “rich guy populism” discourse in defense of the current byzantine tax code.¹⁹⁹ Nevertheless, as a part of MCE, the state returns to a Keynesian principle of taxing more and fiscal spending over the federal budget to provide infrastructure and facilitate for economic growth in the future.

John Kenneth Galbraith gives insight into this conflict in the book *The Affluent Society* (1958) where he talks about great private wealth and public poverty coexisting in American postwar society.²⁰⁰ The problem is to achieve a “social balance”, where some of the gains in the economy are channeled towards the provision of public services like the building of roads, bridges, schools, and disposal of waste etc. The deficiencies in public services first

¹⁹⁷ Thomas Friedman, *That Used to Be Us*, 12

¹⁹⁹ Eisner, *The American Political Economy*, 142

²⁰⁰ John Kenneth Galbraith (1998) *The Affluent Society* (1958), Boston, Mariner Books, Chapter 17.

impact those at the economic bottom of society, while those at the top often do not need the state to perform these functions as they use these services in the private market.²⁰¹ In order for public spending to rise, Obama will have to do this through fiscal policy as well as monetary policy. However, free market advocates have traditionally been very skeptical to the use of fiscal policy to stimulate economic activity, as this involves state acting in the economy in ways that undermine the scope of markets. Therefore, the free market policy solution has been through monetary policy, which gives places this responsibility at the hands of the Federal Reserve – a bastion of private power in the U.S. Nevertheless, MCE, envisions the American state to perform a much more hands-on approach to economic policy than previously.

However, whereas the Keynesian welfare liberalism recognized that unemployment was an intrinsic feature of the business cycle, The Obama Administration’s conception of welfare and the economic rights of the citizen differs. MCE partially reinforces the notion that markets are more democratic than governments. The restoration of the idea that the market will serve as moral and just if people are willing to work hard is still a key component in MCE. This notion is what sociologist Thomas Frank has called “market populism”, and MCE is not challenging this central aspect in free market discourses.²⁰² Barack Obama in the 2015 Address:

Now, these ideas won’t make everybody rich, won’t relieve every hardship. That’s not the job of government. To give working families a fair shot, we still need more employers to see beyond next quarter’s earnings and recognize that investing in their workforce is in their company’s long-term interest²⁰³

MCE sees the state as performing a supporting role in the market, by providing services that making better use of America’s human resources. However, not all human resources are devoted equal attention in MCE. It can be observed how the MCE policies render invisible the chronically poor or unemployed. In a program that champions social mobility, there is little mention of active policies on poverty relief, thus revealing a potential blind spot of MCE. In the White House data, these groups are the limited responsibility of the state, as they do not belong in the myth of the middle class as “responsible” individuals with a “calculating effort to move up the ladder.” The level of ambition in MCE does not extend to the chronically poor in America.

²⁰¹ Ibid.

²⁰² Thomas Frank, “One Market Under God: Extreme Capitalism, Market Populism and the end of Economic Democracy.” (2002), 19

²⁰³ SOTU 2015.

MCE is not a return to social democratic American of the post-war era, but a step towards identifying working American citizens as having intrinsic economical value outside of the market. In economic terms MCE envisions the role of the state and the citizen as one where the citizen can expect better services in the form of welfare and infrastructure from the state. The cost is higher taxes, but this is predominantly born by the wealthy through the tax reform. The new concept of welfare in MCE emphasizes more flexibility than the Keynesian post-war conceptions of top-down welfare. MCE creates a link between performance and welfare, thus aims to predominantly target the working middle class. Unlike traditional social democracy of the Keynes era MCEs conception of welfare is conditional on work in order to be sustainable. This can be summed up in as scholar Anthony Giddens commented on President Clinton’s welfare policies: “there can be no rights without responsibilities”.²⁰⁴

5.3 Identifying a “New Citizen”

Building from the previous section on citizenship, we can now move to the more social constructivist part of identify through discourse what kinds of citizens are created through MCE. This section analyzes MCE as a discursive project aimed at bringing about social change by producing certain mythologies. In Laclau and Mouffe’s terminology, “middle class” serves as a *myth*. Since WWII, this myth it has been one of the most important in American society. More than a material statement, it serves as a proxy for “America” itself. It is seen as an all-encompassing process of “escalation” which will eventually involve everyone.²⁰⁵ According to Robert Bellah, the middle class myth represents a form of individualism that is “defined not merely by the desire for material betterment but by a conscious, calculating effort to move up the ladder of success.”²⁰⁶

The term “middle class” is thus a fluid signifier that is a site for discursive antagonism between welfare liberalism and free market liberalism. In American culture, the concept “middle class” can be said to encompass both lower- and upper class values. According to Bellah this is because “lower class people explain their inferior position in terms of circumstances that have prevented them from behaving in a middle class fashion.” While the

²⁰⁴ Anthony Giddens. *The Renewal of Social Democracy*. London: Blackwell, (1998), 2

²⁰⁵ Bellah et.al, *Habits of the Heart*, 119.

²⁰⁶ Ibid, 148.

upper class take comfort in the middle class sense of family and tradition, and will not attempt to impose their dominant values in these institutions.²⁰⁷ Therefore, in order for middle class economics to represent the groups President Obama wants to reach, it is necessary for to connect “middle class” signifier to something particular to construct a mythology.

President Obama carefully constructs such a myth in the 2015 State of the Union. First, we have a clear discourse of the Americans as a people that have been “tried and tested”:

Seven years ago, Rebekah and Ben Erler of Minneapolis were newlyweds. She waited tables. He worked construction. Their first child, Jack, was on the way. [...] “If only we had known” [...] what was about to happen to the housing and construction market.

As the crisis worsened, Ben’s business dried up, so he took what jobs he could find, even if they kept him on the road for long stretches of time. Rebekah took out student loans and enrolled in community college, and retrained for a new career. They sacrificed for each other. And slowly, it paid off. They bought their first home. They had a second son, Henry. Rebekah got a better job and then a raise. Ben is back in construction -- and home for dinner every night.

“It is amazing,” Rebekah wrote, “what you can bounce back from when you have to...we are a strong, tight-knit family who has made it through some very, very hard times.” [Repeats] We are a strong, tight-knit family who has made it through some very, very hard times.²⁰⁸

The analogy Rebekah and Ben: America has *made it through some very hard times* and *sacrificed* only to emerge stronger and more together. Therefore crisis has not separated America - it strengthened America into a *tight-knit family*. The fact that the Erlers have recovered from crisis stronger than before symbolizes that America is stronger. Both America and the Erlers are the casualties of seemingly arbitrary movements in the housing market, to which President assigns no explicit agency, but from which the state should offer protection.

According to Slavoj Zizek, in order for a discourse to become hegemonic, it must successfully link the universal and the particular. Consider the effectiveness of Ronald Reagan’s archetype of the “welfare queen”. Rather than seeing the typical welfare recipient as a lower income woman with health issues, struggling to support a family, welfare recipients could be cast in the cynical and lazy image of the welfare queen, laughing all the way to bank and collecting numerous welfare checks. The effectiveness of this narrative points to the efficacy of the “typical”.²⁰⁹ The narrative of “Rebekah and Ben Erler of Minneapolis” functions as a myth of American identity, and is represented as “we” as people of considerable fortitude. Also clear from this narrative, is the unpredictable nature of the economy. Therefore, being flexible by “re-tooling” and “re-training” is key to succeed in an ever-changing world. Moreover the economy and the market are void of agency, meaning

²⁰⁷ Bellah et.al, *Habits of the Heart*, 151.

²⁰⁸ SOTU 2015, Paragraph 11-13.

²⁰⁹ Slavoj Zizek, *The Universal Exception*. (London: Bloomsbury Academic, 2006), 172-173.

that the state can only offer partial protection, in accordance with the MCEs notion of citizenship. Therefore it is necessary to keep up with the competition, and adapt to changing circumstances to have economic security.

MCE has an explicit focus on boosting exports as a means of achieving such economic security. One of the key appeals in MCE is for workers to choose jobs that rely on exports. The rationale for this aspect is seen on the White House website:

Right now, there are 525 million middle class consumers in Asia alone. By 2030, there are expected to be 3.2 billion middle class consumers there, more than 8 times the size of what the U.S. market is expected to be then. Whose goods and services are these consumers going to buy? Who will have access to their markets? And who will set the international standards that define how the world does trade? If it's not America, it's going to be competitors like China. That can't be better for our workers, our businesses and our values. We're in a race to secure a trade deal for the fastest growing markets in the world. And right now, this is the choice before us.²¹⁰

Thus in order to make more money the American worker must start exporting more. The President constructs a discourse of the American worker as inherently export oriented: “Twenty-first century businesses, including small businesses, need to sell more American products overseas. Today, our businesses export more than ever, and exporters tend to pay their workers higher wages.”²¹¹ The encouragement for entering in the global competition in MCE is not just for adults. Kids should learn how to be savvy competitors: “We believed we could prepare our kids for a more competitive world. And today, our younger students have earned the highest math and reading scores on record. Our high school graduation rate has hit an all-time high. More Americans finish college than ever before.”²¹²

As commented by Fairclough and others is the way in which a “business ontology” as a trait of free market hegemony has over the last thirty years expanded to incorporate public institutions and their discourses and imposed free market governmentalities in for example healthcare, the justice system, immigration policies. Particularly education has been a part of this trend, and here the Obama Administration is no less ambitious. One of the most noticeable free market discourses in MCE is the fusion between education- and free market market discourses, combining in a “competition” discourse that tends to see education solely in the context of a competition in the global market. This particular view of education is based on a set of ideas about the world as a competition between nations for the “best brains”.

²¹⁰ What's at stake if we don't trade? <https://www.whitehouse.gov/issues/economy/trade> Accessed September 05, 2015

²¹¹ SOTU 2015

²¹² SOTU 2015

Critics have voiced concerns about this approach to education, saying it leads to utilitarian and short-term thinking on education, and discourage risk taking.²¹³²¹⁴ This philosophy on education is both in idea and praxis a New Public Management approach, that is a public version of market modes of governance.

While it has been recognized that education is one of the best ways in which to combat economic inequality, the emphasis on education in President Obama's Policies are very much those of education as "competition".²¹⁵ Moreover, the stakes in the competition are not only personal, but the fate of the American nation hangs in the balance:

[...] to make sure folks keep earning higher wages down the road, we have to do more to help Americans upgrade their skills. America thrived in the 20th century because we made high school free, sent a generation of GIs to college, trained the best workforce in the world. We were ahead of the curve. But other countries caught on. And in a 21st century economy that rewards knowledge like never before, we need to up our game. We need to do more. [...] I want Americans to win the race for the kinds of discoveries that unleash new jobs.²¹⁶

The competition discourse where other countries are "catching on" serves as a nodal point to shape the world outside America as a relentless race, where there is no break from competing. The reference to the Golden Years of the 1950s and early 1960s in America is a theme that is frequently invoked in the "make America strong again" discourse. The effectiveness of this image is to transport the listener back to a sentimental state by invoking a time where America ruled supreme in the world economy, and social mobility seemed to be a fact of life. Moreover, this "things were better before" sentimental discourse constructs the implicit opposite: That something has gone wrong along the way.

In many ways, a classroom can be seen as an arena for the reproduction of specific social worlds. These utilitarian approaches reinforce aspects of the free market business ontology where competition is the defining characteristic. To be sure, free tuition is a laudable and sensible policy from a normative standpoint. But, higher education is a very broad topic that allows the President to approach it from many angles. The choice of global competition is an angle which fits with the logic of the Obama Administration's new trade deals. The free market liberal "education as competition" discourse therefore attempts to construct the kind of citizen that will thrive in this regime, and the kind of citizen that will not.

²¹³ "How Competition is Killing Higher Education" Bloomberg Op-Ed. May 17, 2012 <http://www.bloombergvview.com/articles/2012-05-17/competition-is-killing-higher-education-part-1-> Accessed September 01, 2015.

²¹⁴ It also, arguably, has led to the imposition of a test taking and standardizing culture in order to quantify and thus measure if progress is made.

²¹⁵ See: Thomas Piketty, *Capital in the Twenty-First Century*, (Boston: Harvard University Press, 2013).

²¹⁶ SOTU 2015 <https://www.whitehouse.gov/sotu>

Despite the President's rhetoric of the FTAs a blue-collar project, as well as numerous claims that manufacturing industry is moving back to America, "middle class" economics is marking the definitive shift away from Fordist conceptions of production, and emphasizes the role of America as a "knowledge economy". This transition is by most indicators a practical fact in the American economy and is not controversial as such. MCE translates the pressures of the knowledge economy onto the education sector as a site of reproducing competitive discourses of the global economy. Through a critical analysis, the framework of a geopolitical contest in regards to education makes references to the FTAs, and that MCE is a project for America to outcompete its competitors more than fixing economic inequality and securing the middle class. One could almost say that American's people are at fault for not being good enough in the global competition.

The reforms in MCE consist of a very specific type of agenda that Robert Jessop has dubbed a "techno-economic" paradigm shift", and this is apparent in the material selected.²¹⁷ The image of a dynamic and technologically savvy middle class is constructed through virtually material published from The White House, and in the President's speeches. Thus the image of what people America needs is constructed through the President's use of competition discourses. According to Foucault, all strategies that aim to emancipate and improve subjects can be seen as forms of liberal discipline.²¹⁸ The Obama Administration is engaging in a very specific construction of the new American middle class as competitive, hard working citizens with global ambitions. The focus on global competition is the overarching theme of President Obama's MCE policies. The new economic citizen is thus made aware that he is not competing for himself - he is competing for America. Even kids should share in the national ambitions of promoting American geopolitical power by being export-minded. This citizen is best able to succeed under a new free trading order.

5.4 Making a Case for "Fair" Globalization

As stated in the introduction this section sees the domestic part of MCE in conjunction with the proposed establishment of the new trade regime, as they are seen as coming from the same discursive formations. Thus the domestic aspect is important for what content these FTAs

²¹⁷ Bob Jessop, *The Future of the Capitalist State*, (London: Polity Press, 2002), 126.

²¹⁸ Michel Foucault, *The Will to Knowledge: The History of Sexuality*, Volume I, R. Hurley (trans.), (London: Penguin, 1990), 23

regimes acquire. President Obama's political discourse draws on classical liberal, conservative, and egalitarian elements to make a case for his reforms.

The objective in this section is to analyze these elements against a backdrop of global competition, which has been hegemonic within the free market discursive terrain, and re-contextualizing the subject to neutralize free market associations. The need to garner public support for these initiatives in a political climate where there is considerable public skepticism against further economic liberalization shapes President Obama's discourse on these matters. As mentioned, the FTAs have attracted opposition among elements of the Democratic Party and labor leaders who are involved in the negotiations for fears are that the American workers will experience a lowering of their standards. In addition, the memory of the financial crisis is still fresh, thus anti big business and anti-Wall Street sentiment are very much factors that have been considered in the crafting of the presentations of the FTAs. While this could be seen as a strategical disadvantage for the President, the case that is presented in favor of the deals attempts to turn the free market skepticism to a rhetorical advantage. Anti-liberalization sentiments are addressed and neutralized by presenting the FTAs as a measure to increase *order* and *justice*, thus invoking a conservative political discourse amicable to the political Right, but at the same time applying these principles to the cheating of the financial sphere to cater to the adherents of welfare liberalism on the political Left. The abstract moral rationale for the free trade agreements are found in the 2015 Economic Report to the President:

Bringing down our trading partners' tariff and non-tariff barriers is essential for American firms to be able to compete on a level playing field in the global economy. The Administration's policy is to encourage trade agreements to promote a "values-driven" trade regime that maximizes globalization's benefits while addressing globalization's problematic side-effects.²¹⁹

President Obama expresses the moral project in the Weekly Address on April 25, 2015:

Today, I want to talk about why new trade deals are important to our values. They're vital to middle-class economics -- the idea that this country does best when everyone gets their fair shot, everyone does their fair share, and everyone plays by the same set of rules. These are simple values. They're American values. And we strive to make sure our own economy lives up to them, especially after a financial crisis brought about by recklessness and greed. But we also live in a world where our workers have to compete on a global scale. Right now, on an uneven playing field. Where the rules are different. And that's why America has to write the rules of the global economy -- so that our workers can compete on a level playing field.²²⁰

These samples include several kinds of discourse. The lexis that is used in relation to the trade deals is sports- or competition discourses. International trade is a game where

²¹⁹ Ibid. P. 243

²²⁰ Weekly Address: Fighting for Trade Deals that Put American Workers First (YouTube); <https://www.youtube.com/watch?v=RN4pfxOtdxk#t=55> Accessed September 12, 2015

everybody should get a “fair shot”, and “play by the same set of rules”. The policies are presented as a need to “rewrite the rules” to compete on a “level playing field”. Sports discourse in politics is generally viewed as an effective way of creating a shared cultural identity.²²¹ In U.S politics, the use of “baseball metaphors” by Presidents is by some seen as a way of communicating white masculinity, or appealing to white middle- and working class voters.²²² This group is as such the main target audience the President has to convince to back his free trade initiatives.

The moral constructions in these passages can be seen as expressions of *greed talk*; a cultural-moral line of discourses that has been often invoked in times of economic downturns in the United States, especially during the New Deal era like we saw in chapter 3. Such periods are conversely associated with the receding of discourses that celebrate unbridled material gain, as discourses of “acquisition” temporarily and spatially decline, giving way to more ascetic values.²²³ Seen in this dialectic, the stock market crash of 1929 was sufficiently dramatic to bring about near instant discursive hegemony to *greed talk*. The financial crisis has, arguably, produced more ambivalence than it has caused the downfall of the free acquisition hegemony. Nevertheless, it has been sufficiently wide felt to give new currency to “greed talk” and “anti-Wall Street” sentiments. Such an economic puncture like 2008 thus produces a moral event, which has generated a possible new understanding of what is acceptable and what is not in American society. According to Boltanski & Chiapello, greed talk thus “constitutes a violation of norms of fairness and equity in a society of scarcity.”²²⁴ It represents indignation on the part of the “have-nots”, who feel cheated and thus claim moral superiority over the “haves”.

Furthermore, an area of discursive antagonism that President Obama taps into for the purposes of selling the FTAs is the also morally based “producerist” discourse. Theorized by historian Michael Kazin, “producerist” discourse divides the population into two opposing camps: Those who are “productive”, and those who are “parasites”. In this dialectic, the government is often seen as dominated by a “leisure class”, to use Thorstein Veblen’s famous parlance, which are enriching themselves at the expense of the real workers.²²⁵ He saw that the working class were the producers of value in society and the “leisure” elite class were unknowingly dependent on the productive work by others to sustain their hedonistic opulence.

²²¹ Hammer, Rhonda. *Media/cultural Studies: Critical Approaches*. New York: Peter Lang, 2009, 540

²²² Ibid, 544

²²³ Cushman, Thomas. "The Moral Economy of the Great Recession." *Soc Society*, 2015, 9-18.

²²⁴ Luc Boltanski & Eve Chiapello, *The New Spirit of Capitalism*, London: Verso Books (2007), 27

²²⁵ James L. Houston, *Securing the Fruits of Labor: The American Concept of Wealth Distribution (1765-1900)*, (Baton Rouge: Louisiana University Press, 1998)

Recently, this discourse has been the utilized by the American political Right to great effect, but in but in a complete inversion of Kazin and Veblen’s intention. In an alliance between free market fundamentalist and neoconservative discourses, the notion of the “job creator” has been peddled in American right wing media to describe the super-rich. In this relationship, the affluent are the real producers in the economy, and the poor are the parasites who, unknowingly, depend on the rich for their subsistence. This view on class-relations is clearly expressed in Ayn Rand’s 1957 novel *Atlas Shrugged*, a hallmark book in free market fundamentalist circles where the rich are, like Atlas in Greek mythology, figuratively supporting the weight of the world on their shoulders. FOX News has invoked this discourse frequently as a justification for the rejuvenation of what is tantamount to *laissez-faire* – colloquially called “rich-guy populism”.²²⁶ As part of President Obama’s strategy for the mobilization of working-class Americans is the re-contextualizing of this discourse away from the free market narrative. From the 2015 State of the Union Address:

As Americans, we don’t mind paying our fair share of taxes as long as everybody else does, too. But for far too long, lobbyists have rigged the tax code with loopholes that let some corporations pay nothing while others pay full freight. They’ve riddled it with giveaways that the super-rich don’t need, while denying a break to middle-class families who do.²²⁷

Despite the aversion of American politicians to invoke the concept of class, such constructions as above implicitly invoke the structures of class conflict. For working class Americans, *greed talk* serves as discursive rallying point that builds class solidarity and moral superiority. This fact is used by the President to connect “greed talk” in usually the same paragraph as he talk about the FTAs – a subject that potentially goes against working class interests. Thus a *moral* case for FTAs is made also here. But as mentioned in the introduction, the middle class in America is not just a group defined by their income bracket, but a symbol of the American nation. Most of the American working class tends to see themselves as “middle class” or as “middle class bound”, but prevented from reaching the middle class by external factors. By alluding to Wall Street in the context of greed talk, *agency* is placed behind this externality that is keeping the middle-class, thus “America”, from being all that it can be. Wall Street has *rigged* the rules of the game and thus prevented the working class from ascending to the middle-class.

Another strategy for building working class support is tapping into conservative

²²⁶ Peck, R. "You Say Rich, I Say Job Creator: How Fox News Framed the Great Recession through the Moral Discourse of Producerism." *Media, Culture & Society*, 2014, 526-35.

²²⁷ 2015 SOTU

discourses of xenophobia and preserving American values. Anti-China discourse is a common theme in American politics to perform this function. “China” constitutes a way of defining the “other” to garner support among working class Americans, and at the same time define what is “American”. This is a logically sensitive issue since the loss of manufacturing jobs in America has been attributed to American initiatives of trade liberalization as well as competition from China in American political debates. Here Obama explain these developments as not the result of trade liberalization per se, but rather America is the victim of these past policies.

If America doesn't shape the rules of the global economy today, to benefit our workers, while our economy is in a position of new global strength, then China will write those rules. I've seen towns where manufacturing collapsed, plants closed down, and jobs dried up. And I refuse to accept that for our workers. Because I know when the playing field is level, nobody can beat us.²²⁸

Here, the FTAs (represented as “America”) and “China” (represented as “the other”) appear in the same paragraph, but belonging different strings of moments. “America”: *shape the rules; benefit our workers; new global strength*. This can be contrasted with the string of negative moments: “China”: *will write those rules; manufacturing collapsed; plants close down; jobs dried up*. In Laclau and Mouffe's terms, China functions as a *moment* in an “us-them” discourse. China thus represents the unfair - the cheater in the game - to which the necessary opposite is the U.S who always plays by the rules. The U.S is constructed as a standard-bearer, and the protector of its workers. It may be noted that China is transitioning through the institutional framework of the WTO that the U.S created, and that the rise of China has overall been considered very beneficial to the U.S and indeed the global economy. The FTAs are constructed as a policy to save American values that are being threatened by an outsider. By tapping into a moral discourse the President argues that the U.S is being exploited economically by China, and the need for this to stop immediately. The China card is effective for this, and it also serves to bring an element of urgency.

In pursuing the FTAs, America becomes a representative for “fairness” in a global economy of cheaters. *Fairness* is thus constructed as the antagonistic counterpart to the pre-crisis economy. In addressing the economic structures at home, MCE is in fact aiming to redirect gains of the economy from the *super-rich* and towards a middle class. This is part of the President's new tax code that will end the special privileges of wealthy interests. In contrast to free market

²²⁸ Weekly Address: This Labor Day, Lets Talk About the Budget (The White House) <https://www.whitehouse.gov/blog/2015/09/05/weekly-address-labor-day-lets-talk-about-budget> Accessed September 05, 2015

discourses which key economic goal can be said hold that growth *sine qua non*; MCE is shifting the discourse over towards *redistribution*. In American politics, economic redistribution talk is often connected with political peril, as the idea of “equal opportunity” rather than equality of “outcome” is a broad culturally accepted qualifier in relation to social mobility and the “American Dream”. In addition, *fairness* is a term that has strong Democratic Party connotations from being frequently invoked during the New Deal and Lyndon Johnson’s Great Society programs. Political analysts have concluded that the term is not suitable for building bipartisan support.²²⁹ Wary of this, President Obama approaches these subjects with a combination of “greed” discourse thus attempting to fill the fluid signifiers of free market discourse. For example, the term *opportunity* can bridge this partisan gap although it has been traditionally appropriated as a definite sign in free market discourses. One might think this would seem to directly challenge free market hegemony by intervening in the market. However, Obama is drawing from *within* the free market discourse, in order to re-contextualize the fluid signifiers *fairness* and *opportunity*, and set *opportunity* in a nodal relationship with “middle class economics”. This aims at core values of the free market culture, which is political intervention in the market processes to achieve economic redistribution – one of the strongest nodal points of free market discourse.

In Obama’s 2015 State of the Union the word *opportunity* appears ten times. The term usually functions as a *fluid signifier* that avoids a discourse of economic redistribution directly, and instead grants access to the market: “So the verdict is clear. Middle-class economics works. Expanding *opportunity* works.”²³⁰

This part of MCE taps into a central discourse from classical political liberalism, which resonates well in American culture by framing the tax increases on the super-rich as equality of opportunity, and not equality of outcome. *Opportunity*, as a fluid sign, is non-antagonistic in the sense that it is limitless: Every American wants more of it. Linked to economic or political goals, *opportunity works*. Moreover, the term *fair* as used to describe a market that is well functioning: “That’s what middle-class economics is -- the idea that this country does best when everyone gets their *fair* shot, everyone does their *fair* share, everyone *plays by the same set of rules*.” The use of the term *fair* or *fairness* is used repeatedly, but not to challenge the workings of the market. Instead, it is used in support of the market. Words like *fairness* and *level playing field* in this context serve to highlight the current arrangements are unjust. In

²²⁹ Frank Luntz (2007) *Words That Work*, Hyperion, NY: New York, Pp. 207

²³⁰ SOTU, Paragraph 19

addition, the Economic report of 2015 advises the President to present the FTAs as measures of financial regulation that will prevent another financial crisis:

Deeper coordination does eventually seem to happen when minds become concentrated on the brink of disaster. But that is not enough and it has been harder to sustain cooperative momentum in periods of calm. Yet it is precisely in periods of calm when the investments and preparation for the next crisis need to occur. It is critical to maintain the pressure for financial reform while the memory of the last financial crisis is still fresh.²³¹

In the context of MCE, the vocabulary of trade liberalization becomes consistent with the rest of the MCE program on the basis of its shared “values”. MCE is presented as building up a regulatory regime that will stop the abuses that are taking place, which are putting the U.S at a disadvantage. Unlike the market rationality of the unbridled market which contended that the state had no role in the economy, the Obama Administration sees the American state as a guarantor that globalization is fair and to the advantage of American workers. The policy initiatives of MCE and the FTAs are presented together as a program of advancing American values in the global economy, and the window of opportunity for doing so is closing so this has to be seized upon.

6.0 Conclusion

This thesis has endeavored to show MCE as more than presidential rhetoric and indeed more than the sum of its policies. This thesis therefore concludes with the assumption that the *laissez-faire* liberalism as an intellectual project is challenged at the highest level of American politics by Obama’s Middle Class Economics. Therefore, we are arguably seeing the shifts in the economic discourse in the United States that I claimed in chapter one.

In analyzing the discourses from the White House, MCE has identified a set of problems that reveal a deeper understanding of the social nature of the economy and the need for the state to consider the social dimensions of economic performance. This may indicate that economic policy at the top level in the USA has ceased to be informed by “trickle down” and supply side discourses of free market economics. A shift in ideas has taken place.

Free market economists are not vanquished from policymaking, but they are no longer articulating and driving economic policy in the United States. True, the free-market forces in America have frustrated the efforts of President Obama regulate the economy. However, the

²³¹ 2015 Report, p.328

severity of the structural problems of the American economy and the ambitions of MCE imply that the state has to intervene in the economy in ways that are more profound than those prescribed by free market advocates in the USA currently.

Viewed as a whole, pushing the MCE and a free trade regime that seeks to make many of the values and policies of MCE as the standard for a sweeping set of free trade agreements is a herculean task for the Obama Administration. Even the partial realization of this project would amount to a significant departure from today's free market *structures*, both in terms of the domestic political-economic structures of the USA and the global economy.

As we saw in the 2015 Report to the President, the Obama Administration recognizes that free market discourses are on the retreat. The decision to pursue MCE and financial regulations while "the memory of the financial crisis is still fresh" indicates that this window might be closing. Indeed, by many accounts, the free market forces are considered stronger after the crisis. In structural terms this might be the case, but in the field of ideas, this is not the case as this thesis shows.

But, considering the relatively protracted nature of the dialectics of free market economics and welfare liberalism in chapter 3, we can perhaps say that MCE is the first word and not the last in the unraveling of a greater hegemonic transition away from free market dominance. For Keynesian welfare liberalism, the institutional cracks appeared in the early seventies, but the entire process for structural change took a decade with numerous attempts to salvage the Keynesian system. Indeed, as chapter 3 illustrates and Fairclough's model on hegemonic discourses in chapter 2 tell us, institutional change begins with ideas. As Norman Fairclough states, discourses tend to "lead" the way for social change. Arguably, this current transition away from *laissez-faire* has yet to play out in full. Thus, the protracted ambivalence of the current U.S economy may yet continue to mystify observers.

We can perhaps deduce that MCE is the start of the U.S transitioning to a more welfare oriented and brand of economics where the state is indeed "back", albeit in a lighter and more market oriented form than the Keynesian welfare state? However, one crucial difference is that the economic structures that supported the Keynesian welfare state were gradually dismantled in the wake of the return of *laissez-faire*. Such a structural transformation of the American economy has not materialized after the financial crisis, yet.

One aim of this thesis is to demonstrate how President Obama represents and promotes a new economic discourse in America that results in the construction of a particular new kind of middle class in the U.S that differs from previous free market individualism. This “new middle class” is constructed, among other elements, through a moral-economic discourse. This can be seen as part of a desire by Obama to mitigate adverse social effects in the context of further economic liberalization of the global economy by encouraging the formation of social capital. The result is what we can call free market liberalism with “a human face”, or “individualism properly understood” as coined by Tocqueville. Social capital here can be seen as keeping the more adverse social aspects of the free market in check.

Although the results and details of the negotiations of these deals are yet to be revealed, it seems like MCE is partly overshadowed by the geopolitical concerns of the FTAs. The task to make economic globalization more sustainable and mitigate adverse social downsides is clearly a monumental task. In part, it can seem like the presentation of MCE is dominated by efforts to legitimize the trade deals in Obama’s making. Obama thus appears as a broker of a two-sided deal: If the American middle class is to receive the new benefits from the state, they must go along with the trade deals. The lack of political discourse in modern economics is striking. MCE, attempts to democratize the economic debate by offering social protections in one end, while advancing the corporate agenda in the other. As a “new subject”, recognition in the MCE is conditional on getting on with the changes in the global economy

As we saw in chapter 3, one of the reasons for *laissez-faire*’s political success in America has been its ability to link its discourses to classical political liberalism, which is part of America’s founding. Therefore, the challenge of Obama has been one of demonstrating the illiberal outcomes of unfettered market economics. In MCE, and under his Presidency as a whole, Obama constructs a moral case for his plan for the middle class that has successfully challenged free market discourses in certain areas. This tells us something about the success of the return of *laissez-faire*.

I have shown in chapter three that the era of *laissez-faire* was sustainable on the basis if the hegemonic discourses it created, which underwrote its social purpose, or rather, legitimized the fact that it didn’t need one. It created a discourse of non-responsibility and non-agency,

encouraged Marxist and other protests that the state was just another weapon in the arsenal of the capitalist class. The New Deal created in a new mentality towards liberal economic governance in America that ushered in a period where the state assumes a self-reflexive role. The state, armed with the concepts and perspectives of Keynes could play a role as a third party in the economy that mediated the tensions between the market and the citizen. This brought about a discourse that identified the public as political beings in the sense that certain economic rights as American citizens.

Given the current information available on TPP, TISA, and TTIP it is too early to render the final verdict on these matters. It is certain, however, that the core of this project is private and not political. To the extent it renders political autonomy for interpretation of the governments that are to be included under its aegis is uncertain, but the information so far seems to indicate a continuation of economic globalization where large corporations are driving and articulation the policies, largely out of the purview of democratic institutions.

However intelligent its design may be, the process by which it has been implemented renders it a very weak product in a political sense. Nevertheless, if we are to assess the project in *bona fide*, and disregard empirical evidence on previous trade deals, perhaps the picture is not so bleak after all. If the underlying values of such a project recognize, as its stated, the problematic aspects of globalization, and the social tensions that arise from markets, this can constitute progress from the current arrangements. If middle class economics were to become a global liberal order with the institutional and moral wherewithal to enact its intensions, then intelligent design from above is perhaps the only way. Bretton Woods, the “glorious compromise” of embedded liberalism was, after all, as top-down as it could get. Should one therefore worry about process so long as the underlying values are good?

In a fundamental sense, the difference between Keynesianism and the unfettered market is one of *accountability*. Keynesianism provided democratic responsibility for the economy. This occurred in two ways: First, those with the most important levers in the economy were politicians, or under some control from elected officials.

Second, the acknowledgement of the social goals of the economy meant that the U.S government could assume responsibility for poverty problems, if only in discursive terms and not material terms. Springing from the inherent logic of Keynesianism was the fact that the

economy had a *consciousness*, or a “self-reflexivity” as Jaqueline Best, put it. As such, the notion of “embedded liberalism” is a useful term. It highlights that the Keynesian economy was discursive in a political sense that its free market counterpart was not. Poverty, (or absolute economic inequality, to use a more analytical term) was at least a partial government responsibility under the Keynesian welfare state. Under the free market, poverty is solely an individual responsibility, thus turning a blind eye to the structural nature of the economy. The same goes for *relative* economic inequality, which is another form of deprivation.

Considering the developments described in America in chapter 3, it is possible to claim that the threshold for political and social protest is lower under Keynesianism than under the free market simply because of the presence of political accountability in the welfare state. Or put another way, is having a welfare state simply too demanding politically in the USA? It took a once in a century Depression to end the free market *laissez-faire* idea, but it took a mild recession, comparably, in the 1970s to scrap the notion of government at the economic helm. MCE as such, seen in the American context, is perhaps a good deal at the moment. The notion of American citizens’ economic rights to welfare will perhaps not be restored to the Keynesian period for quite some time. MCE is thus a policy to introduce *some* welfare, which may be considered quite generous under the prevailing circumstances. When we look at the rest of the western world, this is actually going against the current. Ironically, many European countries as a means to economic recovery are pursuing austerity - to great detrimental effect. As the U.S is discovering that it can no longer afford to ignore welfare as a component of modern economy, European countries cannot afford it.

I stated in the foreword that I hoped to discover MCE as evidence of a departure from the free market mindset that has made the U.S a chief sponsor of a global brand of reckless finance-capitalism. I must say that if we are to have new global liberal order, some of the *content* that is being described might very well be a good start.

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