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## Political Stagflation

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How strange our politics has become.

We have a President who claims powers George W. Bush and Dick Cheney could only envy, powers that even Richard Nixon would never have dared assume.

He deploys military force wherever and whenever he wants — without even bothering to announce where and when. He acts as judge, jury and executioner for anyone he wants to have killed.

American citizenship affords no protection. Neither does non-combatant status. Drones don't differentiate and the President doesn't care anyway.

For the fact, if it is a fact, that he has so far only exercised his fearsome powers overseas, we have only Barack Obama's magnificent self-restraint to thank; he and the people around him acknowledge no other restrictions. In this latest phase of the Global War on Terror that his predecessor began, the Commander-in-Chief is a law unto himself.

Before the attacks on the World Trade Center and the Pentagon gave the American government a pretext for "change" neoconservatives can believe in, it was broadly understood that the powers Obama claims have no place in a Constitutional Democracy. They are the powers of a Dictator, not a President.

That would have put them automatically out of bounds because, since the end of World War Two, dictatorship has had an extremely bad press in the United States and throughout the Western world.

Of course, that never stopped American governments from supporting – or even installing – dictatorships overseas or in Latin America. But for an American President to assume dictatorial powers to the extent Obama has would have been unthinkable before September 11, 2001.

George Bush found this out to his dismay; wanton lawlessness made him an object of derision and contempt. Obama is protected from Bush's fate, in liberal circles populated by people with "beautiful souls," as Hegel would have said, because liberals shamelessly cut him endless slack. They help him get away with murder.

But even Obama knows not to flaunt his ill-gotten powers. That is why, when he exercises them, he does so secretly or else he "leads from behind."

It is worth remembering, though, that, before the Second World War, dictatorships were widely believed to have positive features, and states with dictatorial forms of government were often envied.

Indeed, as the Great Depression wore on, it was almost conventional wisdom that dictatorships are at least more efficient than democracies like ours — systems of government with divided powers and checks and balances. They are better, many believed, at getting the job done — making the trains run on time, for example.

By this standard, Obama is a poor dictator indeed. He has been unable to get much of anything done. The "sequester" is only the latest – most ludicrous – example.

And so, we have the worst of both worlds: a perpetual war regime, unconstrained by law, and political immobility, a government that can get nothing done.

This sorry state of affairs calls to mind a similarly paradoxical condition that was once very much on people's minds: the "stagflation" that helped bring the Carter presidency to ruin.

Then we had a stagnant economy, racked by inflation. Now we have a stagnant political regime that evades basic norms of international law and the rights and liberties it purports to protect.

It can be illuminating to juxtapose these phenomena. They share a common paradoxical structure, making the one a plausible metaphor for the other. And their trajectories are causally intertwined.

"Stagflation" is, by now, an established term. It is an apt description of the phenomenon it denotes because it draws attention to its paradoxical nature. The current political scene deserves a similarly apt name.

“Stagvasion” comes to mind. In the way that “stagflation” combines “stagnation” (no growth) with “inflation,” “stagvasion” combines “stagnation” (immobility) with “evasion” of longstanding principles of political morality. And, like “stagflation,” it has a paradoxical flavor: because stagnation is what a political leadership with dictatorial powers is supposed to prevent.

But it is usually best not to make up words, especially inelegant ones. And so, I propose calling the phenomenon the Obama administration has done more than any of its predecessor to perfect *political stagflation*. Because that expression glosses over differences between political and economic phenomena, it can be misleading. But it does underscore the paradoxical nature and structural similarity these causally connected phenomena share.

Because a round of Fed induced economic shock therapy in the early Reagan years succeeded in bringing inflation under control — and because it has remained controlled ever since, notwithstanding the willful misunderstandings of austerity mongers who see inflation always waiting to pounce unless socially useful spending is drastically cut — stagflation is no longer the salient phenomenon it used to be. But the underlying problem it expressed has not gone away.

Its political effects are especially apparent. Indeed, political stagflation would not now be possible without the original stagflation that brought America to the brink of “malaise.”

This is why it is instructive now to reflect on that phenomenon of long ago.

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By the middle and final years of the 1970s, an explosion of public and private debt and an incipient tax rebellion propelled the United States into an era of seemingly permanent fiscal crisis. We are still there, along with the rest of the “developed” world.

Left of center mainstream politics was an immediate casualty. The norms and accommodations that made our political system functional suffered too.

The proximate causes for this unhappy turn of events were and remain political. In brief, the moral and political heirs of the “economic royalists” Franklin Roosevelt inveighed against early in the 1930s decided that the New Deal-Great Society era was over, and that the time had come again when they could stop playing defense only.

And so, they went on the offensive – culturally and politically.

Their efforts were seldom coordinated. But they shared, and continue to share, a common assumption: that, as Ronald Reagan put it, the way to advance their own interests, which of course they identify with the public’s, is “to starve the beast.”

They have a point. For decades, the visible hand of the state, bolstered by a robust labor movement and a supportive public, had endeavored, with modest success, to mitigate the consequences of untrammelled capitalism.

But as the pendulum began to swing back, the potential beneficiaries of untrammelled capitalism, smelling blood, set out to reverse what had been achieved.

They targeted regulatory policies, social programs, and indeed almost everything the government does to ameliorate the condition of ordinary people. That would be almost everybody — the ninety-nine percent, as we used to say.

The idea was never really to “shrink” the government, as befuddled Tea Partiers seem to think. The class warriors leading the charge against progress never had any problem with military spending, for example, or with pouring zillions into an ever-expanding national security state.

It was only the ameliorative state, the state that endeavored to tame capitalist markets, that they wanted to shrink. In its place, they would have the invisible hand of laissez-faire capitalism distribute benefits and burdens as it will.

Well, not exactly. Leaving everything up to freewheeling market transactions may be alright for the little people. But the grandees have always wanted more security than that; and they have always been willing and able to pay for it.

And so, as Democrats and Republicans do their best to undo decades of social advances, they take care to maintain and, wherever possible, enhance the many ways the state secures the privileges of the privileged, and facilitates their further enrichment.

No mainstream politician would dare try starving that beast.

It is hardly surprising, therefore, that the offensive begun – or rather resumed — three decades ago has paid off as handsomely as it has.

The rich have gotten way richer, while everyone else has stayed in place or fallen behind.

And, by taking advantage of circumstances that undermine the power of the working class and its allies, and of a political regime that welcomes the corrupting influence of money, plutocrats have been calling the shots for years without ever encountering more than mild and ineffective resistance.

The result has been a political order reeking of crassness and cupidity. If the wellbeing of the vast majority must decline for the rich to get richer, so be it; if resistance is stifled in the process and democracy suffers, so much the better.

Forget the public good, forget government “of, by, and for the people” – above all, forget equality. Remember instead that, as Calvin Coolidge said nine decades ago, when the pendulum was more or less at the point to which it has now returned: “the business of the country is business.”

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What made all this possible were transformations in the world capitalist system — precipitated by the diminution of American dominance as the economies of competing capitalist centers in Europe and Asia grew, and, more importantly, the exhaustion of the three decade long period of growth set in motion in the United States by the Second World War and elsewhere by economic recovery efforts undertaken in its aftermath.

At the political level, different countries responded to these developments in different ways. Everywhere, though, counter-systemic forces – Communist, socialist, social democratic, and New Deal liberal — went on the defensive, while economic doctrines that had been abandoned decades earlier became ascendant again.

The ruling principle became the opposite of the one that had guided the post-War consensus. Instead of using the state power to paint a human face on the capitalist order, unfettered capitalist markets were (re)empowered — not just by quashing ameliorative state programs and institutions, but also by privatizing as many state functions as possible.

And so, what we now call “neoliberalism,” an up-dated version of nineteenth century economic orthodoxy, became the order of the day.

In the United States, the neoliberal turn has come to be identified with the name of Ronald Reagan; in Great Britain and to a lesser extent in some of its former colonies and dominions, Margaret Thatcher’s name plays a similar role.

In non-Anglophone countries, Reagan and Thatcher are widely, and justifiably, despised. But the policy prescriptions and ways of thinking associated with their names are ascendant everywhere.

However it was not their villainy, formidable as it was, that made the neoliberal turn possible; it was the vicissitudes of capitalist development itself.

The causal connections are complicated because neoliberalism, once established, helped shape capitalism’s trajectory.

In particular, the neoliberal ascendancy has made it all but impossible to deploy fiscal remedies to address the problems capitalism generates: the cycles of boom and bust that have afflicted capitalist development from the beginning, and now the additional complications that follow from capitalism’s long-term, structural decline.

But despite what many thoughtful analysts, not just Karl Marx, used to think, capitalism is a resilient economic system, if only because capitalists, suitably incentivized, can be devilishly resourceful. When conditions are right, capitalist greed, like necessity, can be a mother of (economic) invention.

Ultimately, it is all smoke and mirrors. But it has been enough to keep the old order hobbling along for years, even decades. That is how it has been throughout the entire neoliberal (Reagan-Thatcher) era.

And while the vast majority make do, the politicians' paymasters make out like the bandits they are.

How fortunate for the plutocrats who own almost everything and who are determined to enrich themselves come what may, that there are enough willing and able "public servants" around who know how to starve the beast while keeping the money flowing in as well.

That there are is a credit to our now under-funded system of public education. The austerity mongers might do well to keep that in mind. But they are nothing if not short-sighted and the consequences of austerity have yet to boomerang back on them.

And so, it hardly matters to them that capitalism long ago fulfilled its historic mission – developing productive capacities to a point where a more rational economic order, conducive to furthering authentically human ends, becomes materially possible.

It is of no consequence, in other words, that capitalism is no longer the creative force it once was. All that matters is that its ability to make the rich richer remains unimpaired.

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Too bad that the real economy and the ninety-nine percent or more of us on the losing side of this latest round of class war had to be set back as much as we have so that the economic royalists could succeed as well as they did.

Monetary policies favorable to the predations of banksters and "job creators" (the new name for the current gaggle of plutocratic high-flyers) proved crucial, as did the phantasmagorical concoctions of financial innovators practiced in the dark arts of hucksterism and chicanery.

With consummate cleverness, those modern day alchemists created marketable financial instruments from "assets" that bore only the most attenuated connection to real world production, distribution and exchange. As Maxwell Smart might have said, "if only they had used all those math smarts for niceness!"

But they didn't; they used it to enrich themselves by promoting a series of economic bubbles that created illusions of prosperity without genuinely altering the underlying dynamic of decline.

The harm to real people those bubbles cause when they burst is incalculable.

In a sense, it was the familiar cycle of boom and bust that capitalist economies have always known. But lurching from bubble to bubble makes the downturns worse by orders of magnitude.

And with so-called "creative destruction" turning into outright plunder, the ultimate losers, the direct producers, unlike members of "the investor class," never really recover.

Worst of all, as is now becoming clear, a bubble economy cannot go on forever. By the third or fourth time, even the most greed-besotted investor, having learned to smell a rat, is reluctant to keep up the charade.

Ironically, what kept neoliberalism going for so long was the hesitancy of its radical proponents. It was a hesitancy born of hypocrisy because whenever neoliberal ideology conflicted with the interests of the plutocracy, plutocratic interests always prevailed.

This is why fiscal remedies to capitalism's crises were never really abandoned. Military Keynesianism – military spending – actually expanded while socially useful programs were cut back. Ideological confusion accounts for this in part; austerity-mongering neoliberals were also war-mongering neoconservatives. But capitalist greed was surely the decisive component.

However the overall efficacy of military spending is limited. And no matter how much *schlock* people with stagnant or falling incomes are able to buy because manufacturing is outsourced to countries where wages are hideously low and working conditions abysmal, and no matter how easy banksters make it to replace diminished income with increased debt, people are not stupid: they understand that their economic situation has become increasingly perilous and that their standard of living is in decline.

Under these circumstances, keeping the economy hobbling along and the money flowing into the accounts of the one-percent is not as easy as it used to be. But, with sufficient ingenuity, structural problems can still be displaced, postponing the inevitable, and palliatives can still be found that soften the blow.

Eventually, however, the real alternatives become unavoidable: catastrophe or fundamental change.

When the American economy was still mired in stagflation, the remedy – undertaken tentatively at the end of the Carter Administration and ruthlessly under Reagan – was first to deflate the economy, letting the burdens fall on the usual victims, and then to give neoliberal nostrums free reign.

The result was new wealth for the most well off capitalists, and material immiseration for everyone else. The real economy was left to flounder while financial markets expanded exponentially – in ways calculated to keep the beast starved and the stock market robust.

It is always possible that a new bubble will form or that a fresh round of financial shenanigans will save the day – for a while. More likely, the resourcefulness of leading capitalists and the whiz kids who keep the money flowing in will fail sooner rather than later.

The point, for now, is just that even when serviceable remedies to capitalist crises were available, the underlying problems were never really addressed. It is hard to see how they could have been. A bitter reckoning cannot be forever postponed.

Moreover, with political stagflation in full bloom, the prospects, even in the short term, are increasingly dim.

Political stagflation is, at once, a symptom and cause of the underlying problem. Short of some radically new departure, there seems no way to break out of its thrall.

There are no palliatives either. For one thing, Obama's minions have no tricks up their sleeves, like the banksters' alchemists who turned thin air into gold – or rather into marketable securities – did.

For another, Obama has a genius for squandering indispensable public support. After the 2008 election, he had political capital to spare, enough to break through into new political horizons.

Perhaps he had no real interest in the kind of “change” he let people think he would bring; perhaps he was only inept. In any case, he let the moment lapse. By the end of his first summer in office, business as usual had returned with a vengeance.

The 2012 election had a similar effect on public opinion, though on a smaller scale. Obama squandered that opportunity as well.

A mobilized and enraged citizenry is not sufficient for putting political stagflation to rest; that was a lesson the Occupy movements, had they kept on enlarging, would have learned in due course. But it is also true that without a broad and deep popular mobilization, there are no chances at all of transcending the dismal horizons that political stagflation have frozen into place.

That point was lost on the Obamamaniacs of 2008. But, by now, even they, the ones who are not still willfully blind, have come to understand that there is no getting from here to there through the Democratic Party because, from its commanding heights on down, it has become so much a part of the problem that it is, by now, very likely useless for achieving any worthwhile aim.

This is why Obama's vaunted “bipartisanship” doesn't cut it, not that he ever had a snowball's chance in hell of not having his pleas thrown back in his face. Republicans don't know much, but they do know how to obstruct.

Those calls for reasonableness were tiresome already in the spring of 2009. By now they are merely risible – lamer even than Rodney King's plaintive “can't we all get along?”

A truly capable leader, inspired by the “audacity of hope,” the genuine article, not the disingenuous book title turned campaign slogan, might have had a chance. But that's not what we got; we got Barack Obama instead.

We are paying dearly for this; and, for the foreseeable future, the price can only rise as political stagflation continues to take its toll.



This is likely to hasten the onset and intensify the severity of the day when nothing more can be done to save capitalism from the potentially terminal ailment that first became apparent, more than thirty years ago, when, contrary to all expectations, the American economy experienced both stagnation and inflation simultaneously. That's the bad news: we are in for hard times.

However, it is also good news because it calls attention to the possibility that, despite Obama and the others and notwithstanding all the harm neoliberal policies have done, "hope" and "change" may not be off the agenda forever.