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Trumpism Has Dealt a Mortal Blow to Orthodox Economics and 'Social Science'

By Sanjay Reddy

NOV 23, 2016 | GOVERNANCE | INSTITUTIONS, POLICY & POLITICS | ECONOMIC HISTORY | HISTORY OF ECONOMIC THOUGHT | INCOME & WEALTH



How orthodox economics paved the way for the political shocks of 2016

Grappling with the shock of Donald Trump's election victory, most analysts focus on his appeal to those in the United States who feel left behind, wish to retrieve a lost social order, and sought to rebuke establishment politicians who do not serve their interests. In this respect, the recent American revolt echoes the shock of the Brexit vote in the United Kingdom, but it is of far greater significance because it promises to reshape the entire global order, and the complaisant forms of thought that accompanied it.

Ideas played an important role in creating the conditions that produced Brexit and Trump. The 'social sciences' — especially economics — legitimated a set of ideas about the economy that were aggressively peddled and became the conventional wisdom in the policies of mainstream political parties, to the extent that the central theme of the age came to be that there was no alternative. The victory of these ideas in politics in turn strengthened the iron-handed enforcers of the same ideas in academic orthodoxy.

It is never clear whether ideas or interests are the prime mover in shaping historical events, but only ideas and interests together can sustain a ruling consensus for a lengthy interval, such as the historic period of financialization and globalization running over the last 35 years. The role of economics in furnishing the now-rebuked narratives that have reigned for decades in mainstream political parties can be seen in three areas.

First, there is globalization as we knew it. Mainstream economics championed corporate-friendly trade and investment agreements to increase prosperity, and provided the intellectual framework for multilateral trade agreements. Economics made the case for such agreements, generally rejecting concerns over labor and environmental standards and giving short shrift to the effects of globalization in weakening the bargaining power of workers or altogether displacing them; to the need for compensatory measures to aid those displaced; and more generally to measures to ensure that the benefits of growth were shared. For the most part, economists casually waved aside such concerns, both in their theories and in their policy recommendations, treating these matters as either insignificant or as being in the jurisdiction of politicians. Still less attention was paid to crafting an alternate form of globalization, or to identifying bases for national economic policies taking a less passive view of comparative advantage and instead aiming to create it.

Second, there is financialization, which led to increasing disconnection between stock market performance and the real economy, with large rewards going to firms that undertook asset stripping, outsourcing, and offshoring. The combination of globalization and financialization produced a new plutocratic class of owners, managers and those who serviced them in global cities, alongside gentrification of those cities, proletarianization and lumpenization of suburbs, and growing insecurity and casualization of employment for the bulk of the middle and working class.

Financialization also led to the near-abandonment of the 'national' industrial economy in favor of global sourcing and sales, and a handsome financial rentier economy built on top of it. Meanwhile, automation trends led to shedding of jobs everywhere, and threaten far more.

All of this was hardly noticed by the discipline charged with studying the economy. Indeed, it actively provided rationales for financialization, in the form of the efficient-markets hypothesis and related ideas; for concentration of capital through mergers and acquisitions in the form of contestable-markets theory; for the gentrification of the city through attacks on rent control and other urban policies; for remaking of labor markets through the idea that unemployment was primarily a reflection of voluntary leisure preferences, etc. The mainstream political parties, including those historically representing the working and middle classes, in thrall to the 'scientific' sheen of market fetishism, gambled that they could redistribute a share of the promised gains and thus embraced policies the effect of which was ultimately to abandon and to antagonize a large section of their electorate.

Third, there is the push for austerity, a recurrent trope of the 'neoliberal' era which, although not favored by all, has played an important role in creating conditions for the rise of popular movements demanding a more expansionary fiscal stance (though they can paradoxically simultaneously disdain taxation, as with Trumpism). The often faulty intellectual case made by many mainstream economists for central bank independence, inflation targeting, debt sustainability thresholds, the distortive character of taxation and the superiority of private provision of services including for health, education and welfare, have helped to support antagonism to governmental activity. Within this perspective, there is limited room for fiscal or even monetary stimulus, or for any direct governmental role in service provision, even in the form of productivity-enhancing investments. It is only the failure fully to overcome the shipwreck of 2008 that has caused some cracks in the edifice.

The dominant economic ideas taken together created a framework in which deviation from declared orthodoxy would be punished by dynamics unleashed by globalization and financialization. The system depended not merely on actors having the specific interests attributed to them, but in believing in the theory that said that they did. [This is one of the reasons that Trumpism has generated confusion among economic actors, even as his victory produced an early bout of stock-market euphoria. It does not rebuke neoliberalism so much as replace it with its own heretical version, bastard neoliberalism, an orientation without a theory, whose tale has yet to be written.]

Finally, interpretations of politics were too restrictive, conceptualizing citizens' political choices as based on instrumental and usually economic calculations, while indulging in a wishful account of their actual conditions — for instance, focusing on low measured unemployment, but ignoring measures of distress and insecurity, or the indignity of living in hollowed-out communities.

Mainstream accounts of politics recognized the role of identities in the form of wooden theories of group mobilization or of demands for representation. However, the psychological and charismatic elements, which can give rise to moments of ‘phase transition’ in politics, were altogether neglected, and the role of social media and other new methods in politics hardly registered. As new political movements (such as the Tea Party and Trumpism in the U.S.) emerged across the world, these were deemed ‘populist’—both an admission of the analysts’ lack of explanation, and a token of disdain. The essential feature of such movements — the obscurantism that allows them to offer many things to many people, inconsistently and unaccountably, while serving some interests more than others — was little explored. The failures can be piled one upon the other. No amount of quantitative data provided by polling, ‘big data’, or other techniques comprehended what might be captured through open-eyed experiential narratives. It is evident that there is a need for forms of understanding that can comprehend the currents within the human person, and go beyond shallow empiricism. Mainstream social science has offered few if any resources to understand, let alone challenge, illiberal majoritarianism, now a world-remaking phenomenon.

Trumpism is a crisis for the most prestigious methods of understanding economic and social life, ennobled and enthroned by the metropolitan academy of the last third of a century. It has caused mainstream ‘social science’ to fall like a house of cards. It can only save itself through comprehensive reinvention, from the ground up.



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OR SIGN UP WITH DISQUS Name **Hlafordlaes** • 2 years ago

Two broad factors and one vast trade imbalance were all it took to destroy the Western middle class that depended on unskilled and semi-skilled jobs. First, peak industrial output was reached, while the population kept growing. That is, there are only so many jobs in heavy industry, and once output can meet global demand, there are no more to be had. Second, and more sweeping, is the IT revolution, which created industries and new jobs, but in the end is now eating its children in the form of extreme automation, now beginning to reach into things such as legal research and X-ray examinations. That is, not only does automation reduce net factory jobs, it is quickly replacing jobs in services. These two factors, taken together, already spelled a declining middle class in the West. However, by the numbers it can also be seen that the vast shift of wealth to China, which for many years followed a duplicitous exchange rate policy (calling it an "internal matter not to be interfered with from outside"), has essentially shifted much of the Western middle class to that country, while only enriching capital, the 1%. Add to these causes a lack of any sort of logical response, owing to that same 1% gaining control of public discourse, and you get increasingly desperate people looking for answers. Toss in today's Islamic terror, and Western populations feel not only abandoned, but under threat. On that last score, the missing voice is that of liberals who are willing to defend human rights from all aggressors, not just those defined on a mental short list befitting an earlier reality that no longer pertains.

And so we get the demagogues and strong men, all guardian angels today, but soon to prove demons.

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**Boris DeLaine** • 2 years ago

What about 30 years of ignoring and excluding Full Employment Economics policies? In the US, "globalization", "securitization" and "financialization" were never forced to consider the interests of all stakeholders just direct market forces. Many of the conspiracy theorists characterize the benefactors of Globalization as the Global elite, but they are people close to all of benefiting in various forms and not hidden among some secret organization. Too many people have been searching for simple answers for complex problems. The pain and insecurity of many people is real and there is no simple solution to assist middle and working class people in their competition with capital investments.

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**David Andolfatto** • 2 years ago

I'm not sure this is a useful interpretation. In particular, how does one reconcile increasing "financialization" and "austerity"--labeling them an "orthodoxy"--and then go on to ignore the plethora

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