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English



Building a Progressive International

ATHENS – Politics in the advanced economies of the West is in the throes of a political shakeup unseen since the 1930s. The Great Deflation now gripping both sides of the Atlantic is reviving political forces that had lain dormant since the end of World War II. Passion is returning to politics, but not in the manner many of us had hoped it would.

The right has become animated by an anti-establishment fervor that was, until recently, the preserve of the left. In the United States, Donald Trump, the Republican presidential nominee, is taking Hillary Clinton, his Democratic opponent, to task – quite credibly – for her close ties to Wall Street, eagerness to invade foreign lands, and readiness to embrace free-trade agreements that have undermined millions of workers' living standards. In the United Kingdom, Brexit has cast ardent Thatcherites in the role of enthusiastic defenders of the National Health Service.

This shift is not unprecedented. The populist right has traditionally adopted quasi-leftist rhetoric in times of deflation. Anyone who can stomach revisiting the speeches of leading fascists and Nazis of the 1920s and 1930s will find appeals – Benito Mussolini’s paeans to social security or Joseph Goebbels’ stinging criticism of the financial sector – that seem, at first glance, indistinguishable from progressive goals.



Overcoming the Poisonous Politics of Protectionism

Simon Tilford examines how Barry Eichengreen, Joseph Stiglitz, Laura Tyson, and other *Project Syndicate* contributors address the anti-trade sentiment roiling advanced economies.

What we are experiencing today is the natural repercussion of the implosion of centrist politics, owing to a crisis of global capitalism in which a financial crash led to a Great Recession and then to today’s Great Deflation. The right is simply repeating its old trick of drawing upon the righteous anger and frustrated aspirations of the victims to advance its own repugnant agenda.

It all began with the death of the international monetary system established at Bretton Woods in 1944, which had forged a post-war political consensus based on a “mixed” economy, limits on inequality, and strong financial regulation. That “golden era” ended with the so-called Nixon shock in 1971, when America lost the surpluses that, recycled internationally, kept global capitalism stable.

Remarkably, America’s hegemony grew in this second post-war phase, in parallel with its trade and budget deficits. But to keep financing these deficits, bankers had to be unleashed from their New Deal and Bretton Woods restraints. Only then would they encourage and manage the inward capital flows needed to finance America’s twin fiscal and current-account deficits.

Financialization of the economy was the goal, neoliberalism was its ideological cloak, the Paul Volcker-era Federal Reserve’s interest-rate hikes were its trigger, and President Bill Clinton was the ultimate closer of the Faustian bargain. And the timing couldn’t have been more congenial: the Soviet empire’s collapse and China’s opening generated a surge of labor supply for global capitalism – a billion additional workers – that boosted profits and stifled wage growth throughout the West.

The result of extreme financialization was enormous inequality and profound vulnerability.

But at least the West's working class had access to cheap loans and inflated house prices to offset the impact of stagnant wages and declining fiscal transfers.

Then came the crash of 2008, which in the US and Europe produced a massive excess supply of both money and people. While many lost jobs, homes, and hopes, trillions of dollars in savings have been sloshing around the world's financial centers ever since, on top of more trillions pumped out by desperate central banks eager to replace the financiers' toxic money. With companies and institutional players too frightened to invest in the real economy, share prices have boomed, the top 0.1% can't believe their luck, and the rest are helplessly watching as the grapes of wrath are "...filling and growing heavy, growing heavy for the vintage."

And so it was that large chunks of humanity in America and Europe became too indebted and too expensive to be anything other than discarded – and ready to be lured by Trump's fear-mongering, French National Front leader Marine Le Pen's xenophobia, or the Brexiteers' shimmering vision of a Britannia ruling the waves again. As their number grows, traditional political parties are fading into irrelevance, supplanted by the emergence of two new political blocs.

One bloc represents the old troika of liberalization, globalization, and financialization. It may still be in power, but its stock is falling fast, as David Cameron, Europe's social democrats, Hillary Clinton, the European Commission, and even Greece's post-capitulation Syriza government can attest.

Trump, Le Pen, Britain's right-wing Brexiteers, Poland's and Hungary's illiberal governments, and Russian President Vladimir Putin are forming the second bloc. Theirs is a nationalist international – a classic creature of a deflationary period – united by contempt for liberal democracy and the ability to mobilize those who would crush it.

The clash between these two blocs is both real and misleading. Clinton vs. Trump constitutes a genuine battle, for example, as does the European Union vs. the Brexiteers; but the combatants are accomplices, not foes, in perpetuating an endless loop of mutual reinforcement, with each side defined by – and mobilizing its supporters on the basis of – what it opposes.

The only way out of this political trap is progressive internationalism, based on solidarity among large majorities around the world who are prepared to rekindle democratic politics

on a planetary scale. If this sounds Utopian, it is worth emphasizing that the raw materials are already available.

Bernie Sanders's "political revolution" in the US, Jeremy Corbyn's leadership of the UK's Labour Party, **DiEM25 (the Democracy in Europe Movement)** on the continent: these are the harbingers of an international progressive movement that can define the intellectual terrain upon which democratic politics must build. But we are at an early stage and face a remarkable backlash from the global troika: witness **Sanders' treatment** by the Democratic National Committee, the **run against Corbyn** by a former pharmaceutical lobbyist, and the attempt to **have me indicted** for daring to oppose the EU's plan for Greece.

The Great Deflation poses a great question: can humanity design and implement **a new, technologically advanced, "green" Bretton Woods** – a system that makes our planet ecologically and economically sustainable – without the mass pain and destruction preceding the original Bretton Woods?

If we – progressive internationalists – won't answer that question, who will? Neither of the two political blocs now vying for power in the West even wants it to be posed.

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