

Neomercantilism, the U.S. Election, and Debates Among the Bourgeoisie¹

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It has been clear for some time that the U.S. ruling class is pivoting away from a Neoliberal economic policy to a Neomercantilist policy, involving more protectionism, a bifurcation of the global economy, and various related efforts to contain the rise of China as a peer competitor. This is happening despite the fact that a significant section of the U.S. ruling class is opposed (or at least resistant) to it, given how much business they do in China and how dependent they are on production and sales in China for their current profits and projected future growth. While these capitalists stand to lose a lot of money during this “breakup” with China, both parties are now clearly supporting Neomercantilism. The question now is *to what degree, how rapidly, and in what ways* will they pursue these policies.² After all, old habits die hard.

o) Brief Digression for Definitions

a) Neoliberalism

First let's start with a few brief definitions. Neoliberal economic policy can be broadly defined in terms of became known as the “Washington Consensus,”³ which was comprised of ten main policy points.

1. Fiscal policy discipline, with avoidance of large fiscal deficits relative to GDP;
2. Redirection of public spending from subsidies (“especially indiscriminate subsidies”) toward broad-based provision of key pro-growth, pro-poor services like primary education, primary health care and infrastructure investment;
3. Tax reform, broadening the tax base and adopting moderate marginal tax rates;
4. Interest rates that are market determined and positive (but moderate) in real terms;
5. Competitive exchange rates;
6. Trade liberalization: liberalization of imports, with particular emphasis on elimination of quantitative restrictions (licensing, etc.); any trade protection to be provided by low and relatively uniform tariffs;
7. Liberalization of inward foreign direct investment;
8. Privatization of state enterprises;
9. Deregulation: abolition of regulations that impede market entry or restrict competition, except for those justified on safety, environmental and consumer protection grounds, and prudential oversight of financial institutions;
10. Legal security for property rights.

1 This document was originally written in the Spring of 2024 as an internal document discussion and debate within MCU. It has been slightly updated and edited in line with the developments that have occurred since this point (e.g. Biden dropping out of the presidential race, etc.). The basic theses and analysis remain unchanged; in fact, it is striking just how much the trends identified in this document have developed and intensified in the past six months.

2 There is a chance that the ruling temporarily abandons some aspects of this shift to Neomercantilism. This is most likely to happen in the short-term if there is a significant economic crisis.

3 This term was coined in 1989, on the eve of the collapse of the USSR (when it was already going through Perestroika) by John Williams. At the time he was an influential economist for Institute for International Economics, an international economic think tank in DC.

Neoliberalism advocates a series of “market-confirming” reforms, including deregulation of many industries. These include various austerity measures, cuts to social services, attacks on unions, reducing the barriers to the free movements of capital and commodities, and more. All of this is based on an ideological fantasy of “efficient” and “self-correcting” markets, which supposedly can allocate resources and capital more effectively than any government plan. This ideology is, of course, absurd given the role of monopolies in shaping and determining economic life as a whole (not just the market, but principally production, which plays a determining role in the exchange pattern in society). What’s more, many of the “market conforming” solutions advocated by Neoliberalism increased government expenditure, but funnel this expenditure towards supposedly “market conforming” solutions that more directly subsidized private corporations.

Under Neoliberalism in the U.S., which was the dominant ideology of the ruling class from 1980 until around 2008, when it began to wane in popularity. During this period, the government played a very different role in the economy than it had previously, doing much less economic planning, other than in the military sphere. For example, the bourgeoisie oversaw the systematic dismantling of many regulations and governmental controls which served to regulate the contradictions between individual capitalists and the U.S. capitalist class as a whole. These often benefitted the short-term interests of individual capitalists or blocks of capitalists, while undermining the long-term interests of the U.S. capitalist class.

A particularly glaring example of this is the deregulation which allowed for the outsourcing of a huge amount of industrial production to China. This was tremendously profitable for a large section of U.S. capitalists. They literally made billions and billions of dollars because of this. However, this policy not only aided China’s rise as an imperialist superpower capable of competing with the U.S., it also outsourced the production of key commodities (computer parts essential for military technology, steel, medicines) to China and gutted significant parts of the U.S. industrial base. This is but one of a myriad of similar examples that have accelerated the decline of the U.S. empire.⁴

b) Neomercantilism

Mercantilism originally arose as a political economic theory in the 16th Century. It was then the dominant economic school of economic thought in Europe until the rise of Classical economics with theorists like Adam Smith. Mercantilism advocated protectionist trade policies aimed at developing domestic industry and safeguarding a nation’s bullion reserves through a positive balance of trade. This was based on the idea that trade between countries was a zero-sum game, and that large-scale deficits and free trade would bankrupt a country. Given the direct role that bullion played in commodity exchange and world markets, Mercantilist theorists saw directly that the draining of the domestic treasury would occur from large-scale trade deficits.

Today, the Mercantilist theory has reemerged in modified form and gained incredible popularity among the U.S. ruling class, given that it represents their objective class interests at the present moment. This is Neomercantilism, a Mercantilism adapted and suited to the needs of advanced capitalist imperialist countries. Neomercantilism, therefore, has some distinct differences from the original form of Mercantilist economic theory. Instead of permanent trade surpluses and strict protectionism (both of which would be impossible for a major imperialist power which controls the world reserve currency),⁵ the U.S. ruling class economist theorists want to promote a mix of free trade (for oppressed countries) and aggressive protectionism (for themselves, especially against China but also against allied imperialist countries).

4 Of course, given how the law of uneven development operates in capitalist imperialism, it was bound to be the case that U.S. empire would decline relative to newly emerging imperialist powers like China. However, it is quite striking how *many of the policies* the U.S. bourgeoisie adopted under Neoliberalism accelerated this decline and directed aided the rise of China. This speaks to the decadence of the U.S. bourgeoisie even as early as the 1990s.

5 c.f. the Triffin Dilemma: https://en.wikipedia.org/wiki/Triffin_dilemma

They want to overhaul the U.S. and international economy by means of various trade, economic, and monetary policies aimed at revitalizing key industries in the U.S., especially those related to high technology, national security,⁶ and the military. The plan is to do this via tariffs, subsidies, export controls, and more. In fact, this plan has been under way, in various forms, for the past eight years, despite the fact that much of the U.S. left still incorrectly labels the U.S. capitalists as Neoliberal.

This said, monopoly capitalists cannot survive without exporting capital, and therefore Neomercantilism cannot simply rely on revitalizing domestic production. In fact, a huge undertaking in the shift Neomercantilism is figuring out how to move production out of China and to oppressed countries which are subordinate to U.S. imperialism like Mexico, India, and the Philippines. Advocates of Neomercantilism want to expand their Free Trade Agreements (FTAs) to facilitate the friendshoring of production and U.S. capital export to these countries. They also want to make it easier for the U.S. to import good produced in these countries (especially those produced by U.S. companies, and those companies functionally controlled by U.S. capital). These FTAs also aim to reduce the barriers to the U.S. exporting goods to these countries (especially U.S. agricultural products and goods produced capital-intensive industries) as well as block Chinese access to these markets.

The best example of this new sort of FTA is The United States-Mexico-Canada Agreement (USMCA), which was passed by the Trump administration, with broad bipartisan support, to replace NAFTA. In a few short years, this trade deal has become the model Neomercantilist FTA.

Neomercantilism is not only an economic and political policy, but much like Neoliberalism, it is also an ideology. With Neoliberalism, we saw the “free market” ideology of the Reaganites and related austerity projects and Wall Street corporate culture. With Neomercantilism, we have the rise of a new series of populist ideologies promoted by the U.S. bourgeoisie. The most clear and coherent of these is the right-wing populism of Trump’s MAGA movement. However, the Democrat Party has also been trying, less successfully, to crystalize a stable new ideology capable of inspiring their voting base. While their efforts have thus far been less successful than those of Trump, the ideological shifts are quite significant, as evidenced by Biden’s walking the UAW picket line this past year. Over the next decade we can expect these developments to continue and the Democrats to work to consolidate their own version of a populist ideology suitable to their newly emerging Neomercantilist policies.

1) Introduction

The U.S. bourgeoisie has decided that it needs to radically restructure the domestic economy and change a lot of their economic relations with other countries. This is the position of both the Biden-Harris administration and the Trump campaign, although they articulate this position in different ways and there are some significant differences between their plans. Given the rise of China as an imperialist power capable of competing with the U.S. on a global stage—including winning cases and rulings against the U.S. in existing multilateral institutions like the World Trade Organization (WTO)⁷—it is necessary for the U.S. ruling class to make some significant

6 It is important to note that advocates of Neomercantilism see things like domestic steel production and rare earth metals as key to national security, as they note the dangers of relying on global supply chains for basic industries like this. There is some debate over which industries can be “friendshored” (meaning shifted out of China and into allied countries) and which need to be developed in the U.S. itself.

7 For example, in a recent report, the Bipartisan House Select Committee on the Chinese Communist Party concluded that “The PRC’s [People’s Republic of China’s] economic system is incompatible with the WTO and undermines U.S. economic security” based on recent victories that China has won in WTO cases with the U.S. Based on this they argued that the U.S., while continuing to bring WTO cases against China, must pursue a series of policies and measures outside of the scope of the WTO to effectively compete with China.

changes domestically and internationally in order to win this inter-imperialist competition. No longer can the U.S. ruling class simply prattle on about “upholding the international rules based order.” They need a new order, and a new series of policies are likewise required to develop this. However, they are not quite looking to make a new imperialist system⁸ just yet; instead the consensus is that major adjustments to the present order are needed.

They are actual quite explicit about this. In his landmark 2023 speech at the Brookings Institute, Biden’s National Security Advisor Jake Sullivan spelled out the administration’s new economic policy and stated, “This strategy will build a fairer, more durable global economic order, for the benefit of ourselves and for people everywhere.”⁹ Trump has likewise been proposing policies aimed at reconfiguring the domestic economy and changing trade relations quite significantly;¹⁰ the tariffs and trade restrictions he passed while in office already took meaningful steps in this direction.

Trump is now proposing a 10-20% tariff on all imports and a 60% or greater tariff all Chinese imports. These, even by themselves, are not small steps, but rather policies aimed at reconfiguring global supply chains and reshaping global production and trade. If implemented they will massively disrupt the present status quo globally, which is already quite unstable. The fact that these proposal are popular among and supported by a significant section of the U.S. bourgeois—despite the fact that such instability comes with much uncertainty—shows the degree to which the U.S. ruling class has come to understand that *drastic changes are needed to preserve its status as the dominant imperialist power in the world.*

Both the Biden-Harris and Trump administrations passed various restrictions and bans on trade with China—such as Trump’s sanctions on Huawei and ZTE and Biden’s export controls aimed at stopping the development of China’s domestic advanced semiconductor industry—and have pushed allied countries like Japan and South Korea to rapidly comply. From all this we can see that the goal is not just to alter the trade relations between the U.S. and China or reshore production, but rather to radically transform the global economy and possibly even decouple the U.S.’s sphere of influence from China’s.¹¹ Both options require reconfiguring supply chains, trade

Resent, Prevent, Build: A Strategy to Win America’s Economic Competition with the Chinese Communist Party, p. 14-16,

<https://selectcommitteeontheccp.house.gov/sites/evo-subsites/selectcommitteeontheccp.house.gov/files/evo-media-document/reset-prevent-build-scc-report.pdf>.

8 This sort of change would entail fashioning entirely new international institutions to replace the IMF, WTO, World Bank, and BIS.

9 <https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/04/27/remarks-by-national-security-advisor-jake-sullivan-on-renewing-american-economic-leadership-at-the-brookings-institution/>

It is quite significant that the most comprehensive view of the Biden-Harris administration’s economic policy was laid out by the administration’s National Security Advisor. This speaks to the degree which the U.S. ruling class has shifted its ideology and is now considering economic policy *as a matter of national security*. We are likely to see a much closer alignment of economic, fiscal, monetary, and military policy in the coming years, regardless of who wins the Election in November.

10 What’s more, much like the Biden-Harris Administration, these proposal are being framed in terms of national security. For example, Trump’s former Trade Chief, Robert Lighthizer, recently wrote, “America should change its own policies because making things matters. There is an obvious national-security benefit from having a vibrant manufacturing base. America doesn’t just need munitions factories. In times of war it needs basic manufacturing, so it can scale up in order to, for example, make the steel used to build new defence plants.”

<https://www.economist.com/by-invitation/2024/03/08/donald-trumps-former-trade-chief-makes-the-case-for-more-tariffs>

11 The exact degree to which they think this makes sense is still under debate among the ruling class. While some of the ruling class favor a more rapid bifurcation, many sections are pushing to move slower given their investments in China and the time it takes to move production and reconfigure supply chains. It is unlikely that a total bifurcation will happen short of a world war.

agreements, and much more. This is no simple task, but rather a gargantuan undertaking, which will require not only massive amounts of capital, but also detailed knowledge and diplomatic subtlety that the U.S. ruling class, in recent years, has shown itself to lack in many ways.¹²

Even while a broad consensus has emerged among the ruling class on the need for a Neomercantilist shift—which is not absolute, there are numerous dissident voices—the complexity of the undertaking means that there inevitably will be many differences, and even sharp disagreements, among the capitalists over various particular proposals and policies. Understanding where the ruling class agrees and where, and on what, it disagrees is key to understanding not only the likely future course of development of things in this country, but is also key to Communists’ ability to take advantage of various openings that arise because of these contradictions. What’s more, unless we really understand, on a fairly granular level, the policies and positions of the ruling class, we will be unable to craft effective agitation and propaganda that explains to the proletariat why these policies are not in their class interest.

In this document I will provide some analysis of the overall plans of the ruling class, and specifically the policies and proposals of the Biden and Trump campaigns. The focus is on explaining what they are actually proposing in terms of Neomercantilist policies and the related shifts in the global imperialist system. This includes their policies on reindustrialization, the unions, tariffs, and more. I will also spell out some ideas of what the position of the working class movement should be towards all of this.

One impetus for writing this document is the understanding that it is totally insufficient for communists to simply advocate for the independent political action of the working class. In order to win over the proletariat, we must also put forward a clear explanation of what the policies of the ruling class parties are and *why they do not represent the interests of the proletariat*. This is particularly important at a time when both parties are shifting to more populist policies and rhetoric, albeit in different ways. We can see that way in which both parties used to articulate and justify their policies has lost a lot of resonance with many Americans. This is evident in the popularity of figures like Bernie Sanders and Donald Trump as early as the 2016 Presidential Election.

Now both parties are trying to craft new ideological frameworks to sell their capitalist policies to the masses in general and the working class in particular. Therefore, it is of the utmost importance that we understand these shifts and come up with clear ways to propagate exposures of the class nature of these new policies and rhetoric. In particular, we must clarify that these shifts in the bourgeoisie’s ideology and policies are to preserve their class dictatorship, not to “Make America Great Again” or to “rebuild the middle class.”

Lighthizer, who advocates “strategic decoupling” with China, recently argued in a New York Times op-ed, that “In order to truly ensure that economic relations between the two countries continue to be beneficial to America, it is time to adopt an explicit policy of strategic decoupling of our economy from theirs — not a total decoupling, but one that should be done over time and in an organized way [...] Strategic decoupling has several aspects. First, we should progressively impose tariffs on all of China’s imports into the United States until we have balanced trade.

“Second, we should disentangle our technology. Specifically, we must enhance our export controls to further limit the kinds of technology allowed to be exported and to whom it can go. We need to stop the integration of our advanced industries by discouraging U.S. high-tech manufacturing in China and enact more policies like the CHIPS Act (which authorizes billions of dollars to help companies pay for building or expanding American computer chip factories and for research and worker training) and smart tax and regulatory policies to ensure that advanced technology stays at home or with our allies.”
<https://archive.is/IwL0p>

12 This being said, even with all of their idiocy and arrogance, as the dominant economic, military, and political empire in the world, the U.S. ruling class has numerous advantages over the rising Chinese imperialists.

However, in order to understand the present debates, ideological currents, and policy shifts among the ruling class we need to first grapple with, at least in the form of a broad overview, how it is that the U.S. ruling class makes decisions at present and historically. Therefore, before diving into analysis of the present moment, I will first explain the debates among the ruling class over economic policy and theory in the 1960s and 70s. These debates are incredibly important as they led to the rise and dominance of Neoliberal ideology. While the capitalists have largely abandoned Neoliberalism, many U.S. Marxists still implicitly assume that this is their present and eternal ideology.

a) Digression on the Need for Concrete and Granular Knowledge of the Ruling Class

Given the influence of liberal ideology and related simplistic caricatured thinking it is all too easy to describe the views of the ruling class in an extremely general and reductive fashion (e.g. “they put profit over people!”).¹³ Such simplifications are, on the one hand not totally incorrect—in the case of this example, because the capitalists, of necessity, are concerned with the self-valorization of capital—but they are reductive and can lead to all sorts of metaphysical thinking.

For example, while we can speak of the unified interests of the ruling capitalist class in the United States, there are numerous contradictions within this class. The contradictions between the interests of individual capitalists and the class as a whole, contradictions between different corporations, between different sections of the capitalists (for example between the industrial capitalists and the money capitalists), etc. Likewise, while the two parties represent, in some senses, different sections of the capitalist class, this division is not so simple. Most major companies and capitalists support both parties, often splitting their donations 70/30 in a given election. It is far too simple, for example, to say that the more liberal sections of the ruling class are represented by the Democrats and the more conservative sections by the Republicans. Likewise, while the two parties have a shared interest in preserving the class dictatorship of the bourgeoisie, there are real differences between them, some more permanent, some more fleeting. Different sections of the bourgeoisie may find it more useful to push a particular policy or change through one Party at one time and through the other at another time.¹⁴

Given the lack of a mass communist vanguard party in the U.S., and we cannot quickly gain, a systematic understanding of all of these contradictions *in their particularity*. However, it is possible for Communists to cast aside some vestiges of reductive liberal thinking and develop more clear rational knowledge of the ruling class. This can help us take a step forward in our practical work, especially in agitation and propaganda around the presidential election. In the future, as the working class movement develops and as we build the vanguard party, we will eventually, through theory and practice, be able to carry out the dialectical materialist circuit of knowledge on a huge social scale and understand the policies of the ruling class and various tendencies among them at a very granular level.

To get a sense of what is ultimately possible when a Party is built and develops into a mass vanguard party, it can be helpful to refer to the Chinese Communist Party’s Liaohsi-Shenyang

13 It is worth keeping in mind the point Jack London makes in *The Iron Heel*—made from the perspective of a future communist society—about the power of phrases and slogans in our society:

“The people of that age were phrase slaves. The abjectness of their servitude is incomprehensible to us. There was a magic in words greater than the conjurer’s art. So befuddled and chaotic were their minds that the utterance of a single word could negative the generalizations of a lifetime of serious research and thought. Such a word was the adjective UTOPIAN. The mere utterance of it could damn any scheme, no matter how sanely conceived, of economic amelioration or regeneration. Vast populations grew frenzied over such phrases as ‘an honest dollar’ and ‘a full dinner pail.’ The coinage of such phrases was considered strokes of genius.”

14 For example, while the Green Energy sector historically supported the Democrats more than the Republicans, this changed in the 2018 election: <https://news.yahoo.com/news/clean-energy-sector-swings-republican-u-campaign-donations-110318197.html>. During Biden’s 2020 campaign, it swung back in the other direction.

military campaign in the Fall of 1948. This was a decisive military campaign in the Chinese Civil War, in which the revolution developed from strategic equilibrium to strategic offensive.¹⁵ Because of the political, military, and ideological clarity that the Party had, they were able to predict, *with great precision*, exactly how the Goumindang generals would act. They therefore were able to bait the enemy into unfavorable engagement, prevent them from reinforcing each other, and consistently outmaneuver them in basically all aspects of warfare. It is important to note that this clarity was not developed simply from theoretical study—though this was obviously an important factor—but also from drawing on the wisdom of the masses. Through the mass line method of leadership, the CCP was able to involve literally millions of people in the dialectical materialist circuit of knowledge; they collectively worked together on a huge scale to understand the situation and refine their strategy and tactics in line with this understanding.

To get a sense of how this played out it can be helpful to quote from the text *Great Victory for the Military Line of Chairman Mao Tsetung*, which was published in the late Cultural Revolution and which explains this campaign, along with the subsequent Beiping–Tianjin Campaign. In the course of these campaigns, there was an intense two-line struggle over the way forward, in this case between Mao’s line and Lin Biao’s.¹⁶ An excerpt about this struggle can help to clarify how clear Mao and others were on the contradictions within the enemy camp, and how clarity on the *concrete nature of these contradictions* was essential for formulating a correct military strategy for the campaign:

Why was Lin Piao so reluctant to drive south? Mainly because he overrated the enemy and the enemy’s initiative in sending large reinforcements. He was afraid that if the enemy forces in northern China moved north as reinforcements he might be subjected to pincer attacks by the two large enemy strategic formations. In this connection, he resorted to lies about the enemy’s movements to deceive the Party Central Committee. In early August he reported to the Revolutionary Military Commission that a certain number of the enemy’s corps in northern China were already deployed in certain places of eastern Hopei Province while a certain enemy corps from eastern China had also been sent there. Exaggerating the seriousness of enemy movements, he calculated that the enemy forces in northern China might coordinate with those at Chinchow in sending reinforcements eastward and link up with those at Shenyang, and that they might even reinforce those at Changchun or support their retreat. This assumption was ludicrous. For there were sharp contradictions at the time between Fu Tso-yi, Commander-in-Chief of the Kuomintang Northern China “Bandit Suppression” Headquarters, and Wei Li-huang, Commander-in-Chief of the Kuomintang Northeast “Bandit Suppression” Headquarters. His troops not being Chiang Kai-shek’s own, Fu aimed always at preserving them and would never risk his units being destroyed by reinforcing Wei Li-huang’s, which were Chiang Kai-shek’s own forces. Judging from the general situation then prevailing, it may be said that the enemy would not send reinforcements until he considered that our army had been to a certain extent depleted. Obviously Lin Piao overestimated Fu Tso-yi’s initiative in this respect. In the light of this Right-opportunist appraisal, Chairman Mao, in his

15 Of course, the strategy of protracted people’s war (PPW) employed by the Chinese Communist Party was particular to their social circumstances in a semi-feudal and semi-colonial country. In the U.S. the socialist revolution will follow a very different course, more akin to the October Road pursued by the Bolshevik Party. For more on this see our document *Protracted People’s War is Not a Universal Strategy for Revolution*, <https://maoistcommunismunion.com/red-pages/issue-1/protracted-peoples-war-is-not-a-universal-strategy-for-revolution/>.

16 There are numerous parallels with these decisive campaigns in the Chinese Revolution and the struggles in the Bolshevik Party to launch the October Revolution. By the eve of the October Revolution, the Bolsheviks had developed into a mass communist vanguard party, and had been able to develop a clear picture of the contradictions among the ruling class, the sentiment of the masses, and more. All of this is summed up in Lenin’s *The Crisis Has Matured*. However, actually going forward with the insurrection required a sharp two-line struggle *on the Central Committee in particular*. In the case of the Bolsheviks, both Zinoviev and Kamenev ultimately scabbed on the revolution, an offense for which Lenin demanded they be expelled from the Party, but they were not.

instructions to Lin, further analysed the enemy's activities. He warned Lin not to be taken in by the enemy but grasp the favourable opportunity and take swift action. Chairman Mao also criticized Lin's wrong idea that the movement of our main force in the Northeast depended on that of our 3rd Army in northern China.

Mao's line won out, and though Lin made numerous delays, the PLA forces under his command did eventually drive south. The assessment that Fu Tso-yi would not commit his troops to reinforce Wei Li-huang was proven correct. Numerous similar understandings of the contradictions in the enemy camps, often at a very granular level, were essential to the success of this campaign in particular and the Chinese Revolution in general.

This concrete understandings of the situation in China was only possible after years of work, and because the Party had built up transmission belts that allowed them to concentrate the correct ideas of the masses. It will take decades for U.S. communists to do this at anything approaching this scale. However, even now we can begin to replicate this practice (e.g. drawing on the correct idea of workers about the various contradictions among their local union officials, etc.) at a small scale. What's more, while the incredibly detailed and concrete understanding of the situation in China did not spring fully formed, Athena-like, from the head of Mao or other leaders of the CCP, their high level of theoretical knowledge was *an essential precondition* for developing this level of analysis.

As Lenin noted in *"Leftwing" Communism: An Infantile Disorder*,

The first questions to arise are: how is the discipline of the proletariat's revolutionary party maintained? How is it tested? How is it reinforced? First, by the class-consciousness of the proletarian vanguard and by its devotion to the revolution, by its tenacity, self-sacrifice and heroism. Second, by its ability to link up, maintain the closest contact, and—if you wish—merge, in certain measure, with the broadest masses of the working people—primarily with the proletariat, *but also with the non-proletarian* masses of working people. Third, by the correctness of the political leadership exercised by this vanguard, by the correctness of its political strategy and tactics, provided the broad masses have seen, *from their own experience*, that they are correct. Without these conditions, discipline in a revolutionary party really capable of being the party of the advanced class, whose mission it is to overthrow the bourgeoisie and transform the whole of society, cannot be achieved. Without these conditions, all attempts to establish discipline inevitably fall flat and end up in phrasemongering and clowning. On the other hand, these conditions cannot emerge at once. They are created only by prolonged effort and hard-won experience. Their creation is facilitated by a correct revolutionary theory, which, in its turn, is not a dogma, but assumes final shape only in close connection with the practical activity of a truly mass and truly revolutionary movement.

So with all of this as something of a preamble, we are now in a position to dive into some of the historical background of the struggle *among the U.S. bourgeoisie* on the theoretical plane. This, in turn, will allow us to understand our own historical moment more scientifically, and grasp, in a provisional fashion, how the ruling class policies have changed over time, and especially recently.

Developing this understanding is particularly important. The dominant economic theory and ideology among the U.S. ruling class for decades had been Neoliberalism; now things are changing quickly. When this change began, in the wake of the 2008 crisis, many on the U.S. left celebrated a return to the supposedly more "humane" and "compassionate" policies of Keynesianism. This left the left very vulnerable to cooptation, as illusions around Obama bloomed like mushrooms after a warm spring rain. Many have fallen into the same trap again and again over the past decade and a half. Given the blatant reactionary nature of the Neoliberal dogma of the free market—an absurd dogma given the predominance of monopolies in all aspects of economic life today—many have been taken in by vaguely populist rhetoric from bourgeois politicians, combined with some social programs and fiscal stimulus for consumers. We can see this both in the popular support for Bernie Sanders as well as Donald Trump.

We must not only steel ourselves against these illusions, but also be able to explain to the masses, and especially the advanced workers, what these changes in the ruling class policies (and ultimately the form of their class rule) are about and why they do not serve the interests of the proletariat (even if a section of the workers get thrown a bone or two). In order to do this well we need to *concretely understand* these policies and shifts at a granular level. Obviously the level at which we Marxists understand them will be different than how we explain them in every conversation (the specific context of which will require us to put forward more or less complex and detailed analysis), but it is totally insufficient to argue that the policies of Trump and Harris don't serve the people because the two parties are parties of capital. *We need to show this to the proletariat in detail* and actively combat the propaganda of the capitalist class, in its particularity.

2) Historical Background on Class Rule and Economic Theory in the U.S.

a) Keynesianism, The Great Depression, and The Post-War Period

In order to understand our present situation, it can be helpful to explain how some of the ideological struggles among the bourgeoisie over economic policy played out in the second half of the 20th Century. This will not only help us better understand our present situation, but also clarify more concretely *what is meant by democracy for the bourgeoisie* and how democracy for this class actually functions in the U.S. This background will also show that, Neoliberalism, which has been the preferred ideology of the U.S. ruling class for decades, was by no means their preferred ideology historically. Actually, the past few decades have been fairly exceptional and unique in numerous regards. Therefore, it is important to remember that the ideology that the ruling class has promoted for decades is by no means the “natural” ideology of the U.S. ruling class or the bourgeoisie, as a class, in general. As they shift their policies, ideology, and articulations, it is very important that Marxists have a clear understanding of these realities and this history so that we can effectively struggle against the influence of bourgeois ideology among the masses, especially in its populist forms.

During the Great Depression, Keynesianism became the favored form of bourgeois economic theory among the U.S. ruling class. Keynes adapted the Neoclassical economic model to explain the protracted stagnation of the Great Depression; this stagnation had begun in the early 1920s in his home country of Britain. His theory explained the Great Depression in a way that traditional Neoclassical economics could not,¹⁷ and it proposed a series of policies which helped to stem the growing radicalization of the working class and broad masses. This theory was well suited to the prevailing views and past policies of the capitalists in the U.S. They had pursued a long-

17 Neoclassical economics developed in the late 19th Century and abandoned some fundamental tenets of the classic bourgeois economic theories of Adam Smith and David Ricardo (e.g. the labor theory of value). Given their views on the efficiency of markets and the supposed stability of the capitalist, they were unable to provide any real theoretical explanation of the nature of the protracted economic stagnation of the Great Depression.

standing policy of protectionism for American industry (first outlined by Alexander Hamilton)¹⁸ and had long believed in things like subsidizing various industries and sectors of the economy.

While Keynesianism was distinct from the Mercantilism that was practiced in earlier U.S. history, it was more sympathetic to these protectionist policies than most Neoclassical economic views. What's more, a central tenant of Keynesianism was that unemployment and inflation were inversely correlated.¹⁹ So, given the high unemployment of the Great Depression and the negative inflation (also know as deflation, the decrease in the prices of goods), this theory called for government deficit spending to use the money multiplier and accelerator effects to spur the economy back into action. The idea was that this would help to stabilizing falling commodity prices and boost economic growth. According to Keynes, inflation would only become a problem if deficit spending continued once the economy had reached "full employment."²⁰ Keynes' ability to explain some reasons for the crisis (most of Neoclassic economics was at a loss to provide a clear explanation), quickly legitimized this new theory within bourgeois circles, and these policies were adopted as the economy was beginning to recover from the worst phase of the Depression, thus contributing to the idea that these policies were the only, or at least main, reason that the economy began to recover.²¹

After World War II, Keynesianism was by far the dominant economic policy in all capitalist countries. Keynes himself played a major role in shaping the Bretton Woods System and the broader post-WWII order.²² In this period, Keynesian policies continued in the U.S., even as the capitalists advocated some degree of trade liberalization abroad (which was particularly advantageous for them given the competitive advantage they enjoyed on the world market). And while the U.S. domestic market was opened to European and Japanese capitalists, the U.S. ruling class continued various protectionist measures and forms of economic planning.

These forms of planning were, of course, distinct from socialist economic planning. They aimed to limit, to some degree, the anarchy of production inherent in the capitalist mode of production, to protect various domestic industries and ensure their international competitiveness, and to support the interests of U.S. imperialism overall. There were different interest rates for different sections of the economy, as well as overall coordination of fiscal, monetary, and military policy.

18 In Hamilton's 1791 text, *Report on the Subject of Manufactures* he argued for tariffs and subsidies to support the fledgling manufacturing sector in the country. As Secretary of the Treasury at the time, he organized a group of investors called the Society for Establishing Useful Manufactures (SUM) with the explicit aim of building an industrial economy to compete with Britain. They established their first factories in Patterson, NJ. Hamilton's policies were highly debated, as a section of the U.S. ruling class, best represented by Thomas Jefferson, wanted the foundation of the U.S. economy to be small-scale independent agriculture.

After the War of 1812, Henry Clay, then speaker of the House, championed what he called "The American System." It was an economic policy based on Hamiltonian ideas, which advocated high tariffs, a central bank, and government subsidies to develop domestic industry and infrastructure. This policy was designed to transform the U.S. into a global industrial power and protect domestic industries against the more advanced competition in Britain in particular.

19 "When full employment is reached, any attempt to increase investment still further will set up a tendency in money-prices to rise without limit, irrespective of the marginal propensity to consume; i.e. we shall have reached a state of true inflation." John Maynard Keynes, *The General Theory of Employment, Interest, and Money*, Palgrave Macmillan, 2018, p. 106.

20 For Keynes, full employment did not mean the total absence of unemployment, but the absence of "involuntary unemployment." Keynes, was, after all, an ardent defender of the capitalist system!

21 In reality, this recovery was principally due to the inevitable upswing that follows every crash and depression in the decennial industrial cycle. The dynamics of capitalism are such that each crash prepares the grounds for the next recovery and boom, and each boom, in turn, prepares the ground for the subsequent crash. Keynesian stimulus policies only played a secondary factor in the recovery from the Depression. However, they did succeed in placating a section of the masses.

22 However, some of his suggestions, such as the adoption of an international currency, were rejected by the U.S. ruling class.

The U.S. was by no means unique in this regard, nor was this time period unique. Most capitalist ruling classes have historically preferred similar policies, with various modifications and particularities. It is only in the past half century that Neoliberal economics was adopted and much of the capitalist economic planning was dismantled in the U.S.²³

During the post-war period (before the adoption of Neoliberalism), the government pursued fiscal and monetary policies aimed at preventing price decreases (deflation) and limited the impact of economic downturns. Given the depth of the crisis during the Great Depression, the post-war era was particularly boom oriented, and the industrial cycles of this period saw only mild crises and economic downturns. These downturns were further offset by Keynesian deficit spending and fiscal stimulus aimed at preventing mass unemployment, deflation, and the associated civil unrest. This led to a prevailing illusion among the U.S. bourgeoisie that they had conquered the industrial cycle and that they would never have another major economic crisis again. However, these illusions would soon shatter.

b) Collapse of the Bretton Woods System

By the mid-1960s, it was clear that there were major issues in the U.S. economy and the Bretton Woods system. The \$35/ounce of gold exchange ratio that underpinned the system was coming under pressure in international markets. This was partially due to the Keynesian fiscal stimulus and monetary policies which were creating dollars much faster than global gold reserves were growing. The large deficits needed to finance the Vietnam War also played a role. These and other issues the U.S. ruling class faced led to concern among its allied imperialist powers—as well as money capitalists more broadly—about the economic and political stability of the U.S. and the Bretton Woods system. All of this put pressure on the system, and contradictions between the U.S. ruling class and their allies sharpened, as did contradictions between different sections of the U.S. capitalist class.

This led to the collapse of the Bretton Woods System between 1968-1971. Various factors caused this collapse, which are helpful to review briefly so that we can understand the last time the U.S. ruling class was faced with a situation in which they had to rapidly modify the global economic order.

First was the fall in gold production, especially in South Africa, which occurred as prices of other commodities rose above their values during the post-war boom (in turn gold mining, insofar as gold is the money commodity, had a below average rate of profit).²⁴ Thus the rate of creation of dollars (especially with the deficit spending for the domestic social programs and to finance the Vietnam War under Lyndon B. Johnson's administration) vastly outpaced the production of gold, making unsustainable the \$35/ounce exchange ratio on which the Bretton Woods system was based.

Second was the inflationary Keynesian policies of the 1940s, 50s, and 60s, which had modified the industrial cycles of this period, causing milder recessions, but preventing a true clearing of the overproduction of commodities; likewise the associated fall in the prices of commodities below their prices of production never emerged.²⁵ This, in effect, delayed the worst aspects of the

23 One notable exception is that production for military matters was relatively insulated from these policies of liberalization. The state still played a fairly large role in directing and planning production for the U.S. military throughout the entire neoliberal period. However, the current shortages in key munitions and technologies show how Neoliberalism impacted even this sector.

24 It took so long for gold mining profits to fall below the average rate of profit, despite the persistent rise commodity prices post-WWII, in part, because of the brutal apartheid system in South Africa which facilitated the extraction of massive superprofits from the workers there. In this sense, the Apartheid system directly upheld and underpinned the imperialist Bretton Woods system.

25 Prices of production are the way in which the law of value operates in the fully developed capitalist mode of production. In *Capital: Volume III*, Marx developed the concept of prices of production to explain how the average rate of profit forms in an economy where different industries have different

recessions in this period, prevented commodity prices from falling, and kicked the can down the road, until things exploded in the late 1960s and early 1970s.

Third was the sharpening contradictions between the allied imperialist powers. The Bretton Woods System was set up at the end of WWII when the European imperialists and Japan had been devastated by the war, but the U.S. had not. The industrial base in this country was totally intact. Thus the division of the world market that was established at the end of WWII was incredibly favorable for the U.S. bourgeoisie. However, given the law of uneven development, and given the high rate of profit in investing in Europe and Japan (where the organic composition of capital was much lower than the U.S. given the devastation caused by the war), the relative strength of the U.S. had decreased significantly in the decades following WWII.

What's more, the U.S. had, after WWII, enjoyed a significant competitive advantage because its state of the art factories could produce commodities far cheaper (using less labor-time) than the international average. However, with the reconstruction of Europe and Japan under the Marshall and Dodge plans respectively, this competitive advantage was eroded as new state of the art factories (many of which were even more advanced than those in the U.S. at the time) were set up in these countries. Given all of this, these allied imperialist countries demanded a bigger share of the world market and the spoils of plunder of the neocolonies. They saw that the division of the world under the Bretton Woods System no longer reflected their relative strength compared to the U.S. They thus pushed to modify, and eventually to end this system.

Fourth, capitalists internationally, including those in countries allied to the U.S., began to lose faith in the ability of the U.S. capitalists to act as the policemen of the world. After being held to a standstill in Korea, the "Green Machine" was getting bogged down again, this time in Vietnam. The contradiction between the imperialist powers and the oppressed nations also, therefore, played a major role in the economic and political crisis of the late 1960s and 1970s.

Fifth, the domestic struggles in the U.S. grew very intense in this period. These included major revolts against racist repression (both in the South and in urban ghettos in the North and on the West coast), a revived working class movement, popular movements like the anti-war movement, and a growing interest in Marxism within all of these movements.

Sixth, the restoration of capitalism in the Soviet Union after Stalin's death and the rise of Soviet Social Imperialism (socialism in name, imperialism in deeds). Under Brezhnev, the new capitalist class in the USSR pursued a much more aggressive policy of expanding their influence globally, and increasingly was challenging the U.S. and its allies in key markets.

Seventh was the Great Proletarian Cultural Revolution in China, which provided inspiration to popular movements around the world, and showed that despite the restoration of capitalism in the USSR, there was still a path forward for socialist revolution. The GPCR helped to inspire popular rebellion in neocolonies and imperialist countries, and played a major role in the rebellions of May 1968 in France, Italy, Mexico, and elsewhere.

organic compositions of capital and different rates of turnover of capital. Prices of production are defined as the cost of production plus the average rate of profit.

As Charles Bettelheim put it in his critique of Arghiri Emmanuel's theory of Unequal Exchange, "Under the capitalist mode of production the law of value acts as the law of formation of prices of production (and not as the law of the formation of 'value in the pure state'), so that it is not possible to 'contrast' value and price of production. Price of production is the effect of the law of value operating in the capitalist mode of production, that is, in the form of fully developed commodity production. Under this mode of production there is no 'other' value that is more 'authentic' than price of production."

"Appendix I: Theoretical Comments by Charles Bettelheim," in Arghiri Emmanuel, *Unequal Exchange: A Study of the Imperialism of Trade*, p. 277.

All of this contributed to a situation where the money capitalists, both in the U.S. and abroad became very very worried about the status of the U.S. Dollar, which in a sense acted as a proxy for their concern over the capabilities and competence of the U.S. ruling class and the monetary authority that issues the Dollar, the Federal Reserve.²⁶ They basically saw the writing on the wall that the \$35/ounce exchange rate had to end. This was obviously a major crisis (both political and economic) for the U.S. ruling class. Various ad-hoc measures were adopted to preserve the Bretton Woods System, such as the London Gold Pool—in which the different imperialists powers intervened in the London gold markets to defend the \$35/ounce exchange rate—but these were ultimately unable to stop the collapse of the system, which fell apart in 1971, when Nixon closed the Gold Window and thereby ended the convertibility of the Dollar to gold.

c) The Fall of Keynesianism and the Rise of Milton Friedman's Theories

The collapse of the Bretton Woods system was not just an economic and political crisis of the U.S. bourgeoisie, it was also a theoretical and ideological crisis. Keynesianism had held that inflation and unemployment were inversely correlated and *even went so far as to argue that it was possible that both high inflation and high unemployment could exist simultaneously*.²⁷ And yet, starting in 1970, there was both high unemployment and high inflation. The U.S. ruling class needed a way to understand and explain both this and the collapse of the Bretton Woods system.²⁸ They also desperately needed to develop new policies that would preserve their class dictatorship at home and their empire abroad, and to find an ideological framework to justify the necessary

26 The stability of a currency is not simply dependent on “technical” measures like the monetary base, money supply, and velocity of money, but also on the political and ideological relations between those who hold the currency and the political authority that issues it. These came under immense strain in the 1960s. This strain played a major role in the economic and political crisis the U.S. capitalist class experienced in this period.

With the end of the Bretton Woods system and the creation of token money (mistakenly called fiat dollars by some), the Dollar and other currencies were no longer credit money which foreign central banks could exchange for gold. The Dollar's monetary role as token of value could only be maintained insofar as “its function as a symbol is guaranteed by the general intention of commodity owners,” as Marx put it. Or to put it differently, only insofar as commodity owners saw USD-denominated assets as viable investments. The challenges to the ruling class domestically (and to the position of the U.S. imperialists internationally) shook the confidence of commodity owners, and saw them flee from the Dollar to gold in this period. The stability of the Dollar is therefore also a question of the relation between classes, including between various monopoly capitalist classes around the world.

27 This was a central thesis of Keynes' *General Theory*, that unemployment rates and inflation were inversely correlated. Keynes believed that if there was high unemployment then increasing fiscal deficits (and perhaps also having the central bank lower interest rates) would solve the unemployment issues. Only once the economy reached “full employment” would these deficits then potentially lead to inflation, and even then, the Keynesians were generally more tolerant of higher inflation levels than other bourgeois economists.

In his *General Theory*, Keynes actually proposed an inherent asymmetry between inflation and deflation, based on this assumption:

“There is, perhaps, something a little perplexing in the apparent asymmetry between inflation and deflation. For whilst a deflation of effective demand below the level required for full employment will diminish employment as well as prices, an inflation of it above this level will merely affect prices. This asymmetry is, however, merely a reflection of the fact that, whilst labour is always in a position to refuse to work on a scale involving a real wage which is less than the marginal disutility of that amount of employment, it is not in a position to insist on being offered work on a scale involving a real wage which is not greater than the marginal disutility of that amount of employment.”

Keynes, *The General Theory of Employment, Interest, and Money*, p. 260.

28 In 1970, Arthur Burns, then head of the Federal Reserve, told a Congressional Committee, “The rules of economics are not working the way they used to.” This was indicative of how many leading bourgeois economists were at a total loss to explain the simultaneous existence of high inflation and high unemployment.

shifts in their class rule (which included massive austerity policies and partial deindustrialization, not an easy sell!). Keynesianism had become discredited both among the population (to various extents and in various different ways) as it was seen as the cause of—or at least a major factor in—the crisis in the Bretton Woods system and the stagflation of the 1970s.²⁹

It was in this situation that the ruling class turned to the views of Milton Friedman, originally called Monetarism, and then later Neoliberalism.³⁰ Friedman shared Keynes' assumption that capitalism is an inherently stable system. However, he argued that instability in the system was caused by bad monetary policy, and that future crises could be averted by simply controlling the expansion and contraction of the money supply.³¹ Friedman literally reduced the complexity of the whole capitalist system to a stable equilibrium and argued that a single variable, the money supply,³² supposedly outside the capitalist system, was responsible for all prior crises.

His idea was that the government's issuance of the money supply was really something outside of the capitalist system proper. In his view, if the Fed had not allowed the money supply to contract by one third in the early 1930s, then the Great Depression could have been avoided.³³ He was

29 It should be noted that while the 1968-1980 period was profoundly inflationary in nominal dollar terms, in terms of *the gold prices of commodities* it was actually massively *deflationary*. This point is often overlooked (both by Marxists and, of course, by bourgeois political economists), and therefore the entire period is somewhat misunderstood. Insofar as this period involved high unemployment and high deflation (in gold prices), it was more akin to a fairly typical capitalist depression, just combined with the erosion of confidence in the U.S. Dollar's stability. The nominal inflation, in dollar terms, thus covered over the fact that, in terms of *real money*, prices of almost all major commodities in the U.S. fell drastically in this period. This is exactly what we would anticipate would happen according to a Marxist understanding of capitalist crises.

30 As his simplistic theories about the money supply were discredited by the experiences of the 1980s, Friedman moved away from Monetarism, but held onto his essential theses on the relationship between unregulated capitalism and personal freedom that were the cornerstone of Neoliberal ideology.

31 Keynes, in contrast, thought that capitalist system would experience an eternal boom if countries went off the gold standard and adopted "non-commodity money." In this way, he hoped to preserve classes and capitalism, while avoiding depressions and mass unemployment. Likewise, he thought that if this "non-commodity money" was an international currency, then this would eliminate the cause of wars between nations. In this sense, Keynes was a reactionary utopian *conservative* thinker. He aimed to preserve classes and nations, hoping, in vain, that various capitalist policies could prevent antagonistic struggle from arising between them.

32 Friedman defined the money supply as cash that was not deposited in the banks plus the credit money—checking account deposits—created through bank loans. In reality, the money commodity, gold, must be distinguished from the debt money or token money created by governments as well as the checkable deposits and other forms of money equivalents (e.g. short-term time deposits, etc.). Friedman's argument was, in effect, that the gold standard and then the gold convertibility of the Dollar constrained the Fed's ability to preserve stable prices because they could not control the money supply *and* preserve the gold price of the Dollar. He supported this argument by relying on a simplified version of Ricardo's disproven quantity theory of money. Therefore, he assumed that if the gold window was closed, the Federal Reserve could allow for steady and stable growth of the money supply and prevent any future crises. In reality, given the various dynamics in the credit markets, the Fed cannot easily control even the supply of token or credit money, even if they explicitly tried to. Friedman, an academic, did not understand this, but members of the Federal Reserve Board of Governors generally did.

33 Friedman has some truly bizarre arguments on the Great Depression, in effect treating it as a simple misunderstanding, of sorts. His argument is that because the initial crisis was deflationary (the prices of commodities fell) that real wages rose significantly even with the ubiquitous wage cuts of the era. Supposedly failing to realize that actually these wage cuts were only to their nominal but not real wages (a fact which Friedman does not prove convincingly), workers then withheld their labor from the market in protest of the cuts according to Friedman. This pseudo-analysis is in line with the teachings of neoclassical marginal economists, but misses a number of basic and obvious points, including the

therefore, an opponent of the gold standard—as were the Keynesians, albeit for different reasons —because he felt that it constricted the Fed’s ability to control the money supply, insofar as they had to maintain the Dollar’s \$35/ounce peg to gold.

The basic idea is that the growth of the money supply has to match, via some ratio,³⁴ the growth of the amount of commodities in circulation. The idea was that if the money supply grew too quickly relative to the growth of the economy, this would cause inflation, and if it contracted—or even grew too slowly—this would cause deflation and perhaps even an economic crisis. Friedman consider money only as a means of circulation and saw it as only having this one function.³⁵ He was, therefore, unable to grasp how many situations arise where the money supply can increase rapidly without causing inflation. This gaping hole in his theory was eventually exposed in the 1980s, when he predicted that there would be more inflation—because of the increases in the money supply—which never came.³⁶ However, in the 1970s, his economic theory did offer a seemingly coherent explanation of the stagflation.

In promoting his views Friedman squared off against Keynesian MIT Professor Paul Samuelson³⁷ in debates over the stagflation of the 1970s, and came out as the more clear and pragmatic of the two. These were popular but high-level economic debates which had a huge impact in ruling class circles. From 1966 to the 1980s Samuelson and Friedman had side by side columns in Newsweek debating key questions of economics. While both were academics, Samuelson was most famous for having brought complex mathematics to economics and argued that math was the “natural language” for economists. In this period he was considered one of the most influential economic theorists among the bourgeoisie. He was an intellectual writer who, while eloquent, was not able

empirical evidence of mass unemployment and competition over jobs, as well as fact that, if this were true, then workers would have quit their jobs *en masse* for better wages, instead of being laid off in large numbers. Workers who could hold onto their jobs, even with the wage cuts, generally did so in this period. Perhaps by the 1970s, the Great Depression was far enough in the past that Friedman’s obvious confusions were not so obvious to the bourgeoisie.

Friedman’s views on the Great Depression are also worth understanding today in light of all the bourgeois media in the past few years about the “Great Resignation.”

34 Friedman, of course, acknowledged that if the velocity of money increased, then this offset, to some degree, the need for the money supply to grow.

35 In contrast, Marx notes that money is a measure of value, a standard of price, a means of payment, a means of circulation, and a means of hoarding and accumulation.

36 Inflation did not develop in this period because the expansion of the supply of token money (Dollars) was again possible given the massive expansion of gold production which occurred in the 1970s when the dollar “price” of gold skyrocketed, thus likewise increasing profitability in the gold producing industries.

37 Samuelson is perhaps the most famous neoclassical Keynesian economist of the second-half of the twentieth century. He was an advisor to the Kennedy administration and a Cold Warrior. The latter is important to keep in mind, given the pervasive illusions in the U.S. left that Keynesians are leftists. Samuelson developed a series of mathematical models which supposedly proved the correctness of Marginalist economics and also popularized many of these theories in his books. His works are still taught today in most college level economics classes in the U.S.

What they generally don’t teach is that before he squared off against Milton Friedman, he debated Piero Sraffa and other Neo-Ricardian economists from the University of Cambridge, in what was known as the “Cambridge Capital Controversy.” Sraffa and others showed that, despite all of their mathematical formalizations, the Marginalists were unable to explain much of anything. The Neo-Ricardians, despite their various confusions, upheld the labor theory of value, and showed how Marginalism cannot explain value, price, or the market even with reference to supposed units like “utils,” in which the Marginalists assume that all constant capital consists of a single good or use value! The Marginalists themselves latter abandoned this absurd abstraction. In this debate, Sraffa also debunked the Marginalist claim that each factor of production (land, labor, and capital) each earn the value of the “marginal product” they provide in the production process. At the end of this debate, which ran from the 1950s into the 1960s, Samuelson and the other Marginalists conceded defeat.

to offer clear explanations for the stagflation of the 1970s, in part because of Keynesianism's inability to explain the simultaneous existence of high unemployment and high inflation.

In contrast, Friedman was very empiricist (and proudly so) and was able to reduce economics to simple phrases and formulations. Often his explanations, as noted above, violently abstracted away all complexity and reduced economics to one or two variables. He often would make a few large scale statements about the complexity of capitalism, and then reduce everything to a simple phrase or relationship.

See, for example, his famous 1980 PBS series *Free to Choose*. In [this clip](#) he explains how “the price system” supposedly is a better alternative to central planning; he makes non-sensical parallel with the “voluntary cooperation” of people speaking the same language.³⁸ On the one hand he references the economic complexity of the overall capitalist system, making the audience feel that they are grappling with large-scale and profound things, and then argues, without any real explanation, that any alternative to the “free market” is just someone telling others what to do. In this way, he brushes over the underlying economic coercion of capitalism *and* frames the push for deregulation in populist terms, as against “big government” telling *you* what to do and how to live. He thereby created scapegoats for the woes of the 1970s; in addition to “big government” he also blamed labor unions for getting big wage increases. It is also interesting to see the clip following this segment where he debates Michael Harrington, founder of DSA. It gives a sense of why Friedman's views became popular in this period, and why his theory *and his manner of articulation* were useful to the ruling class. Friedman was good at popularizing his theories not only among the bourgeoisie, but also to a broad audience, and he did so in a way that directed their anger at the economic stagnation of the time towards various scapegoats instead of the capitalist system.

Overall, Friedman's argument about the causes of stagflation boiled down to the claim that—in addition to issues with the money supply—trade unions, social security, welfare, unemployment insurance, minimum wage laws, and other measures had driven unemployment below its “natural rate” and thus caused inflation and unemployment to rise simultaneously in the 1970s.

Samuelson and the Keynesians, seeing as they did the source of inflation as ultimately rooted in money wages,³⁹ argued that wage and price controls needed to be implemented to ensure that wages did not rise faster than the productivity of labor. Their view was that, if the unions would agree to this, then this could stop a “wage-price spiral.” Based on this idea, Nixon implemented a wage and price freeze in August 1971 when he suspended convertibility of the Dollar into gold;⁴⁰ this marked the first time since WWII that the ruling class had implemented these types of controls. However, the price controls not only failed to stop the rise of prices, they also played a role in bringing about the recession that followed. This role is generally exaggerated by bourgeois

38 He states “The fundamental principle of the free society is voluntary cooperation. The economic market, buying and selling, is one example. But it's only one example. Voluntary cooperation is far broader than that. To take an example that at first sight seems about as far away as you can get: The language we speak, the words we use, the complex structure of our grammar. No government bureau designed that. It arose out of voluntary interactions of people seeking to communicate with one another.” Thus at the heart of Friedman's ideology is the individual, abstract and “free to choose.”

39 Recall the views of Citizen Weston in the First International, who Marx critiqued in *Value, Price, and Profit*.

40 These price controls were thrown together in a slap-dash fashion. And, according to the economists who crafted them in a 1971 retreat at Camp David organized by Nixon, they were more about sending a message of strength and using the newly approved powers of the Executive Branch.

“This question prompted officials to give controls a second look. No one in the Administration, from Nixon down, believed in controls in an economic sense. They were Sovietized economics, an attempt to force markets where they didn't want to go. But the economics didn't matter to [Treasury Secretary John] Connally; what counted was a forceful display of power.”

https://web.archive.org/web/20111020201708/http://www.businessweek.com/magazine/the-nixon-shock-08042011_page_4.html

economists, insofar as they are unwilling and unable to realize that crises and recessions are inherent to the capitalist mode of production. This blindness, which ultimately a result of their class interest, led them to place the blame for the economic troubles of the 1970s squarely on the Keynesian policies of the preceding period.

In short, Friedman's views prevailed against Samuelson and the Keynesians. His Monetarism (and then later Neoliberalism) became increasingly popular, both with the lay-public and with economists. This being said, while Friedman became very influential economist as Keynesianism's popularity waned, and while his views shaped how a generation of economists understood the world—at the peak of his popularity around 54% of students at the University of Chicago were economics majors—his Monetarist theory did not so much guide the decisions to begin a Neoliberal policy *as provide ideological cover for it*. Many of the leading bourgeois economists correctly understood that Monetarism was too simple of a theory to explain the complexity of the economic system.

d) Monetarism as Cover for the Volcker Shock

As the stagflationary 1970s ground on, and even very high interest rates failed to stabilize the Dollar's value—and likewise failed to restore confidence among money capitalists in the capabilities of the U.S. ruling class in general and the Federal Reserve in particular—there was an urgent need to act decisively to prevent the continued collapse of the Dollar.

Paul Volcker, who was head of the Fed under Carter, oversaw the shift to Neoliberal policy *in the monetary sphere*. Unlike Friedman (who was an academic) Volcker had worked at the Fed, in the Treasury, and in the financial industry; he was much more aware of how the Federal Reserve system and international markets actually worked. He knew that it would be impossible for the Fed to really control the growth of the USD money supply to the level Friedman desired; the rate of growth of checkable bank deposits depends on many factors outside of the Fed's control, such as the overall growth of the economy.

Therefore, Volcker used the popularity of Monetarism as cover to craft policies aimed at stopping the international collapse of the value of the Dollar. These policies were not motivated by Friedman's Monetarist theory (which was always very academic, dogmatic, and impractical), but rather by a more clear understanding of what was needed to preserve the dominance of U.S. imperialism.

In late 1979 an early 1980 there a panicked rush of capital to gold and out of the USD, even with the Federal Funds rate at 10%.⁴¹ The gold price of the Dollar had gone from \$35/ounce in 1968 to \$350/ounce by the Fall of 1979. By January, 21 1980 the situation rapidly deteriorated, and the Dollar's gold price rose to \$850/ounce. There was a desperate need to stabilize the USD and stop its free-fall. However, the policies necessary to do so, which principally involved a massive increase in the Federal Funds Rate to over 18%,⁴² would not be very popular, as they would lead to

41 Today the Federal Funds Rate sits between 4.75-5%. It is important to remember that the Federal Reserve is not all powerful and the interest rate at which it lends to the banks is largely determined by conditions outside of its control. For example, interest rates inevitably rise in the boom phase of an industrial cycle. If the Fed attempts to keep them low, it will "overheat" the economy, causing massive inflation and devaluation of the Dollar. However, this does not mean that the Federal Reserve—and the ruling class more broadly—has no control over interest rates or that their policies have no impact. In the case of the Volcker Shock, by raising the Federal Funds Rate *far above* prevailing market conditions, the Volcker Fed was able to drastically curtail lending and economic activity, trigger a major recession to clear capital markets, and draw in capital from around the world, which was looking to profit from the extremely high rate of return on USD-denominated loans, especially "risk free" government debt. All of this stopped the capital flight out of the USD and tamed inflation, at the expense of a major economic downturn.

42 In addition to the spike in the Federal Funds rate, the Carter Administration also imposed credit controls that restricted the ability of commercial banks to sell securities. These were short-lived.

a major recession *and* would significantly increase the cost of mortgages and auto loans (thus putting homeownership and car ownership outside of the reach of many who could previously afford it). Extremely high interest rates would also undermine the profits of industry and would not be popular with industrial and commercial capitalists.

Therefore, to somewhat disguise the nature of what they were doing, the Volcker Fed announced that they would no longer be targeting interest rates (even though they planned to raise them significantly) but would instead be targeting the “quantity of money,” as defined by Friedman. This provided ideological cover and justification for the massive interest rate hikes that followed in the Volcker Shock. This worked to stabilize the Dollar; the gold price of the Dollar fell to ~\$333/ounce by 1982 (note that this was still around *ten times* the \$35/ounce ratio that had prevailed from 1933-1968).

e) Neoliberalism was Objectively Necessary for the U.S. Bourgeoisie

While Volcker and other sharper members of the ruling class did not ever really subscribe to the Monetarist theory and policies,⁴³ Friedman’s views became incredibly influential in U.S. academic departments and with the ruling class more broadly.⁴⁴ However, even in the Reagan administration⁴⁵—to which Friedman was an advisor—the size of the government did not

43 c.f. <https://medium.com/@monetarypolicyinstitute/the-volcker-myths-8579cea33b95>, especially Fed board member Nancy Teeter’s February, 1983 comments that “I do think that the monetary aggregates provided a very good political shelter for us to do the things we probably couldn’t have done otherwise.”

Robert P. Black, President of the Federal Reserve Bank of Richmond, in a March, 1988 meeting of the Federal Open Market Committee stated, “I think the important argument, and really the reason why we went to this procedure, was basically a political one. We were afraid that we could not move the federal funds rate as much as we really felt we ought to, unless we obfuscated in some way: We’re not really moving the federal funds rate, we’re targeting reserves and the markets have driven the funds rate up. That may have had some validity at the time, and I had some sympathy for it. But as time goes on, I’ve become more and more concerned about a procedure that really involves trying to fool the public and the Congress and the markets, and at times fooling ourselves in the process.”

Volcker understood that Neoliberalism was a necessary policy for a given period, but later repeatedly pushed to recreate the Bretton Woods system, even as late as 2014, and was part of Obama’s recovery team. In this capacity, he advocated various Keynesian policies to stimulate the economic post-2008 crash.

44 Friedman’s views were particularly influential with Alan Greenspan, who was Chairman of the Fed from 1987 to 2006, and was also something of an idiot. Matt Taibbi captures Greenspan’s character well in his book *Griftopia*:

“Note the name-dropping at the start of this quote [from Greenspan’s autobiography], a literary habit that through the years has infected Greenspan’s writings and speeches like the world’s most persistent case of herpes. His autobiography, *The Age of Turbulence*, features numerous passages in which his lists of dropped names ramble on with feverish, almost Gogolian intensity. Take for instance this one, in which he talks of the fiftieth birthday party his girlfriend Barbara Walters threw for him: ‘The guests were the people I’d come to think of as my New York friends: Henry and Nancy Kissinger, Oscar and Annette de la Renta, Felix and Liz Rohatyn, Brooke Astor (I knew her as a kid of seventy-five), Joe and Estee Lauder, Henry and Louise Grunwald, ‘Punch’ and Carol Sulzberger, and David Rockefeller.’ Needless to say, when the Federal Reserve Act was passed in 1913, Congress was probably not imagining that America would ultimately hire a central banker who dated anchorwomen and bragged about hanging out with Oscar de la Renta. Greenspan has always appeared constitutionally incapable of not letting people know who his friends are—it’s always seemed to be a matter of tremendous importance to him—which is why it’s absolutely reasonable to wonder if maybe that was a reason his Fed policies were so much more popular with the Hamptons set than those of a notoriously shabby recluse like Paul Volcker.”

45 It should be noted that prior to Reagan, the Republican Party traditionally supported industrial protectionism, subsidies, and a large amount of state control and management of the economy.

decrease, but increased significantly.⁴⁶ This being said, Friedman's theories provided ideological justification for the austerity policies, deregulation, and the offshoring of production which characterized this period, the administration of Bush Sr., Clinton's presidency, and George W. Bush's administration. And even though the size of the government did not decrease in this period, the role that the government played in the economy did change significantly, as various controls and policy tools were scuttled (such as tariffs, different interest rates for different sectors of the economy, capital controls, and more).⁴⁷ These changes did not happen all at once. For example, the Reagan administration actually pursued a number of protectionist trade policies for the steel and auto industries, among others.⁴⁸

In the U.S., the 1980s and subsequent decades are generally misunderstood. Marxism teaches us that social being determines consciousness. Therefore, when analyzing the particular ideological formation of the ruling class in a given period, we should study the particular economic conditions which give rise to this ideology and which make it viable. Of course, we must also study struggles in the ideological sphere and understand how ideology in turn reacts back on the economic base. In contrast, the typical left-liberal view sees the 1980, 1990s, and early 2000s (and Neoliberalism more broadly) as a result of corporate greed, and thus flips the whole picture on its head.

Of course, the ruling class needed to first craft a theory suitable to their shifting needs as a class, and then a struggle did need to play out in the superstructure for this theory for this to obtain widespread acceptance and popularity. However, these theories obtained popularity among the bourgeoisie precisely because they described reality with a degree of objectivity suitable to the bourgeoisie (e.g. Keynesian explained, within the confines of Neoclassical economics, the supposed cause of the Great Depression) and propose policies to address various issues which serve the bourgeoisie's class interest.

Therefore, in order to properly understand Neoliberalism, and not fall into idealist thinking, we need to understand the underlying economic conditions that made it a viable and effective form of economic and political policy for the U.S. bourgeoisie. Otherwise, we can easily fall into the left-liberal trap of arguing that this shift was principally motivated by greed or other subjective factors.

While Neoliberalism provided ideological cover for austerity—for example by claiming that these policies were aimed at fighting corruption in the welfare system and “big government”—it was not simply a fig leaf to cover the grotesque realities of the capitalist system. Neoliberalism was also a series of economic policies that were objectively necessary for the U.S. ruling class, starting in the 1980s. While the Volcker Shock, and the extremely high interest rates which followed it, stabilized the U.S. Dollar and saved U.S. imperialism, they also created many problems for the capitalist class.

46 Reagan famously entered office with “Four Goals.” These were to lower taxes, deregulate businesses, reduce government spending, and lower inflation. He noted at the end of his second term that he had achieved “three out of four,” having failed to reduce government spending.

47 It is important to note that, even with all this deregulation and major shifts in how the government related to the economy overall, it was far from the case that all forms of regulation and protectionism were eliminated. Actually in many industries, especially housing, subsidies were even expanded, albeit in more “market conforming” ways. This was based on the ideas of supply side economics. For some of debate between those advocating a comprehensive industrial policy and those, like Friedman, who promoted supply side economics, see Robert Reich's famous 1982 article *Why the U.S. Needs an Industrial Policy*, <https://hbr.org/1982/01/why-the-us-needs-an-industrial-policy>. He correctly notes that, even at that time, the U.S. basically already had an industrial policy, albeit one largely confined to military related R&D and procurement.

48 <https://www.nytimes.com/1984/09/30/business/the-steel-trade-negotiations-the-experts-who-will-forge-the-new-quotas.html> and <https://www.washingtontimes.com/news/2011/may/9/donald-trump-is-no-liberal-on-trade/>

These extremely high interest rates ate into the profit of industry. As Marx noted, high interest rates mean that there is not much profit left for industrial production, especially when these capitalists need loan capital to start their new enterprises. What's more, if a capitalist has a choice of receiving a very high rate of return on "risk free" U.S. government bonds, or investing in a company which may or may not beat this rate of interest, it is generally in their interest to chose the former. Therefore, U.S. capitalists not only did not tend to invest in expanded reproduction domestically (especially in heavy industry) in the 1980s, they actually scuttled various factories, preferring to become money capitalists rather than even carry on production at existing levels within the U.S. This led to the creation of the Rust Belt.

However, a capitalist economy obviously cannot exist purely on debt and financial services alone. Therefore, there was a need to carry on industrial production elsewhere in the world, where the rate of profit was higher than in the U.S. This led to offshoring of large amounts of industrial production to oppressed countries. In order to make this economically viable, the bourgeoisie not only had to cut existing barriers to the free flow of goods and capital across borders (e.g. tariffs, capital controls, etc.) but also actually incentivize this. This is why they signed major free trade deals like NAFTA. Neoliberal policies were not just profitable for the capitalists, but were objectively necessary. They were the only way to both stabilize the Dollar, preserve the dominance of U.S. imperialism, and secure relatively domestic stability.

Drawing on Neoliberal theory, the capitalists claimed that these policies would lead to a freer, more wealthy, and more equal world. While some of the theorists were cynical snake oil salesmen, it is important to remember that much of the bourgeoisie really believe their own ideology.⁴⁹

It is important to note that Neoliberalism was not some new stage of capitalism. These policies were only viable because the particular historical circumstances of the period. The massive austerity measures and deregulation of the economy were possible because of the decline and eventual collapse of the U.S.'s main rival, the USSR.⁵⁰ This, in turn, opened a huge number of markets to which capital could be exported. It also emboldened the U.S. ruling class to hollow out domestic industry further, given that they concluded that the fall of the USSR marked "the end of history" and that they would never have to fight another war against a peer competitor. This, in turn, caused them to make a series of increasingly stupid decisions that have led to the present situation where there are massive shortages of ammunition and weapons systems, as well as the capacity to produce them.

What's more, the extremely high rates of interest which persisted through the 1980s meant that it was not profitable to carry on production in the U.S. for many industries. Thus there was a need to shift a large amount of production overseas. The restoration of capitalism in China post-1976

49 In Jack London's *The Iron Heel*, Avis Everhard begins to discover the true nature of the capitalist system when she interviews two capitalists about a worker losing his arm in a mill they own. "I saw Mr. Wickson and Mr. Pertonwaithe, the two men who held most of the stock in the Sierra Mills. But I could not shake them as I had shaken the mechanics in their employ. I discovered that they had an ethic superior to that of the rest of society. It was what I may call the aristocratic ethic or the master ethic. They talked in large ways of policy, and they identified policy and right. And to me they talked in fatherly ways, patronizing my youth and inexperience. They were the most hopeless of all I had encountered in my quest. They believed absolutely that their conduct was right. There was no question about it, no discussion. They were convinced that they were the saviours of society, and that it was they who made happiness for the many. And they drew pathetic pictures of what would be the sufferings of the working class were it not for the employment that they, and they alone, by their wisdom, provided for it."

50 Even prior to the collapse of the USSR, the competition between the USSR and the U.S. was very different than between the U.S. and China today. There existed two largely separate imperialist systems. People in the U.S. could buy very few goods made in the USSR or its sphere of influence. Therefore, the offshoring of production to allied and oppressed countries did not pose nearly the same risk from supply chains that it does today. The situation is also starkly different today insofar as a huge amount of what is consumed in the U.S. is produced in China, its main imperialist rival.

provided a new market for the U.S. capitalists to export capital to and access to a cheap source of skilled labor in an economy with very developed supply chains. This export of capital to China began slowly, but really kicked off in the early 1990s, with the establishment of many major special economic zones in the country.⁵¹

The defeats and setbacks in the class struggle at home and abroad made it possible, in the 1980s and 1990s, for the U.S. ruling class to roll back the gains of the previous decades without fear of too much backlash and domestic instability. Neoliberalism provided ideological cover to justify these rollbacks and even frame them in vaguely populist terms (e.g. opposing big government, corrupt unions, “welfare queens,” etc.).

It was in this period that the Washington Consensus emerged. For thirty to forty years, the U.S. ruling class was almost entirely consolidated to Neoliberalism. This ideology made them incredibly rich; it concentrated an enormous amount of wealth in a very small number of hands. They carried out major structural adjustment programs in the name of free trade and globalization in oppressed countries around the world.⁵²

However in recent years, it has become clear that this ideology and economic theory is no longer viable. In order to sustain the dominance of U.S. imperialism and contain the rise of China, the U.S. bourgeoisie needed to change its approach. Even after 2008, it took a while for the majority of the ruling class to come around and understand the need to shift away from neoliberalism. A consensus on this point did not really emerge until 2020.⁵³ Therefore, when analyzing how the U.S. ruling class operates and justifies its class rule, it is easy to think largely in terms of their *prior* Neoliberal ideology.⁵⁴ When considering the policies and practices of the U.S. ruling class

51 https://www.nber.org/system/files/working_papers/w21906/w21906.pdf

52 In the 2021 document, *Changes in Relations of Production in India - Our Political Program*, CPI (Maoist), explains the impact of these policies on Indian society. They note that the first phase of Liberalization, Privatization and Globalization (LPG), which occurred between 1985-1991, “Indian economy transformed according to the needs of accumulation of world capital. It was all set to absolutely sell away the interests of the country to the and imperialism.”

They go on to note that the imperialists “brought all the forms of social production in the world into their control and made all the countries of the world surrender to the policies of imperialist globalization. They thus intensified the onslaught on the working class of their own countries and increased the rate of surplus value (profits) being extracted from them. Secondly, with a new offensive on the backward countries they could further expand their markets and seize cheap raw materials of those countries. They intensified exploitation of the toilers manifold. Both of these are closely related and mutually dependent. The objective of globalization strategy is to re-structuralize the economies of the entire countries of the world as per the exploitive interests of the international monopoly finance enterprises and Multi- National enterprises, lift all the sanctions and all the tariff obstacles for imports-exports and for shifting profits to their native country, in a way to create a ‘borderless’ world where goods, technology, capital and labor can ‘move around freely’, to facilitate the exploitation of any country as per its wish according to their international monopoly.”

These changes are typical. They were promoted by U.S. imperialism in oppressed countries around the world.

53 In many regards the election of Donald Trump in 2016 was a wakeup call for the U.S. ruling class that they could really no longer go on ruling as they had been. The Biden-Harris administration’s decisions to largely preserve and build off Trump’s Neomercantilist policies, such as his tariffs on China, show how much things have changed in a few short years.

54 Often when thinking this way, people implicitly assume that Neoliberalism is the “greater evil” and that a Keynesian welfare state with some mercantilist policies is the “lesser evil.” This is an incorrect view, informed by the collective historical amnesia of the U.S. left. In Germany post-1929 it was the Social Democrats who oversaw austerity measures (some of which were not so different than the neoliberal austerity of the Reagan and Clinton years) and it was the Nazis who, after coming to power, adopted an aggressive mercantilist policy. Despite all the problems with the SPD—and there were many, including the massacres of workers they oversaw—they were definitely not worse than the Nazis. With austerity

today, it is important that we remember *that they have by and large abandoned the Washington Consensus*.

3) The Rise of Neomercantilism, U.S.-China Competition, and the 2024 Presidential Election

a) The End of Neoliberalism under Obama

Today, Neoliberal policies are no longer viable for the ruling class. China is now a peer imperialist competitor to the U.S. It is obviously not feasible to have a huge portion of production for the U.S. market—more than \$500 billion per year—happen in China, especially for essential commodities like steel, medicine, batteries, and more. The Covid-related supply chain disruptions gave a sense, on a small scale, of what would happen to U.S. markets in the event of war with China, or even selective halting of the export of key goods.⁵⁵ What's more, commodities produced by Chinese monopoly capitalists, such as smartphones and electric vehicles (EVs) are now extremely competitive with U.S. and EU commodities, both in terms of profitability and in terms of appeal to consumers.

So, it is in the interests of the U.S. ruling class *as a class* to shift a lot of production out of China and limit Chinese corporations access to many markets; this means more friendshoring, nearshoring, and onshoring. However, many U.S. corporations are heavily invested in the Chinese market (for both production and sales). That means that their individual interests and profits are dependent on continued access to Chinese markets. Therefore, they will not automatically or gladly shift production out of China. They need to be compelled to do so by U.S. government policy. This can take the form of punitive measures, tariffs, incentives, and more. A mix of carrot and stick policies have already been deployed.

Actually, the changes that need to be made to preserve the global dominance of U.S imperialism are *much larger* than simply shifting some production out of China. What is needed for the U.S. ruling class—and this *precisely* what they are presently debating how to best do—is a large-scale overhaul of the U.S. economy and the global economy. This involves massive shifts in capital allocation, production patterns, supply chains, and more. It also involves major efforts to contain China's rise and constrain their access to markets for export and investment.

All of this will involve, and already has begun to involve, much more direct government involvement in shaping and planning the U.S. economy, in subsidizing key industries to ensure their success, in adopting protectionist tariffs, etc. This is all a huge shift away from Neoliberalism. It does represent some turn towards Keynesian policies—especially those aimed at increasing domestic demand—but it more so reflects a revival of Mercantilism, which was favored early in U.S. history as the country industrialized.

Properly speaking, the undisputed dominance of Neoliberalism as an ideology and policy among the ruling class ended in the U.S. with the 2008 Financial Crisis. In order to preserve the global capitalist system, and the U.S.'s dominance within it, the Obama administration carried out large-scale Keynesian policies. They not only bailed out various banks dubbed "Too Big To Fail" but also carried out massive fiscal stimulus aimed at reigniting demand.⁵⁶ Additionally, as part of the Pivot

and mercantilism, it is not so simple to say one is always a lesser or greater evil. This example also demonstrates the fallacious logic of "lesser evilism."

55 According to the Institute for Supply Management's survey, the delays in delivery to manufacturers in 2021 were the biggest since 1973, when the economy was disrupted by both the oil crisis and Nixon's price controls.

56 It should be noted that there was intense opposition to Obama's stimulus policies, even those these policies were objectively in the interests of the capitalist class. Hundreds of professional economists signed on to a public letter condemning his fiscal stimulus bill. Many of them were once students of Milton Friedman, or students of his former students.

to the Pacific,⁵⁷ the Obama administration rolled out policies that led to the massive revival of domestic energy production, particularly oil and fracked gas. As a result, the U.S. rapidly transformed from the largest oil importer in the world, into the largest oil producer *and* the largest oil exporter. This was really the first revival of a strong Mercantilist policy, albeit largely confined to this one sector.⁵⁸

These shifts were made because there was a growing understanding that China had arisen as an imperialist rival to the U.S. and that the U.S. could no longer go on operating as it had been. Being bogged down in “forever wars” in the Middle East weakened the bourgeoisie’s ability to deter China’s aggressive expansion in the Pacific. Being dependent on foreign oil was a major strategic vulnerability, especially in the event of any major war. Under the Obama administration there was some preliminary understanding how of Neoliberal policies had become a significant liability, despite being extremely profitable and despite having previously helped the U.S. bourgeoisie consolidate control of key markets abroad and maintain the stability of class rule domestically.

Despite reindustrialization under Obama being largely confined to one sector, the fossil fuel industry (and to a lesser extent related petrochemical industries), this marked a major change in U.S. policy, economically, geopolitically, and militarily. It also laid the groundwork for future reindustrialization, insofar as U.S. industry now has access to a vast amount of very cheap energy.⁵⁹ The success of the development of the oil and fracked-gas industries under Obama is important to keep in mind as we evaluate the likely outcomes of reindustrialization efforts going forward.

b) The Trans-Pacific Partnership, Trump, and the Reemergence of Mercantilism

Under the Obama administration, the U.S. ruling class still believed that China’s rise could largely be countered with various new free trade agreements (FTAs) and other Neoliberal policies, supplemented with various military shifts and the revival of domestic energy production. Chief among these FTAs was the Trans-Pacific Partnership, which was slated to be the largest free trade agreement the U.S. ever created.⁶⁰ While originally involving twelve “Pacific” countries, it was slated to expand rapidly, and become a major free trade block aimed at countering China’s rise. Within the TPP all tariffs and barriers to U.S. goods would have been lifted in member countries, and the U.S. would have begun to shift some production to these countries and out of China.

Negotiating this FTA was perhaps the crowning diplomatic achievement of the Obama administration; it involved wringing various concessions—major and minor—from allied powers

57 This was the U.S.’s first comprehensive strategy aimed at countering the rise of China as an imperialist rival. Early in the Bush administration they had begun to strategize on containing China’s rise, but with 9/11 and the launch of the Global War on Terror, this planning was largely scrapped.

58 Throughout the Obama Administration, there were some fledgling efforts to begin to revive domestic industry more broadly, such as the National Network for Manufacturing Innovation, which was renamed Manufacturing USA in 2016. However, the scale and scope of these efforts were literally orders of magnitude smaller than what we have seen under the Trump and Biden-Harris administrations.

To get a sense of some of the early advocates for reindustrialization, see Harvard economists Gary P. Pisano and Willy Shih’s 2012 book, *Producing Prosperity: Why America Needs a Manufacturing Renaissance*.

59 The development of the fracked gas industry in the U.S. has led to fairly regular divergences between the West Texas Intermediate and Brent (named after the Brent oilfield in the North Sea) oil prices, reflecting the differences between price of oil in the U.S. and world market.

60 Actually, a significant section of the Obama Administration believed that, if they crafted the TPP without China, then China would eventually have no choice but to join, on the U.S.’s terms. In other words, they still believed, even at that time, that it would be possible to overall maintain a “peaceful” and cooperative form of competition with the Chinese ruling class, like the U.S. has with Japan, Germany, France, and other satellite imperialist powers. This shows how little they understood Chinese imperialism and its degree of independence from U.S. imperialism.

like Japan and New Zealand. This was no easy or simple task. After years of secretive negotiations, the Obama administration got these allied countries to agree to the TPP, which amounted for a plan to drastically transform their economic relations to each other, and, as a result, transform their economic relations to China.

In the U.S. there was mass popular concern about the TPP. Some of this was framed in terms of right-wing conspiracy theories about the FTA being a “stepping stone to global government.” However, the popular opposition, even among those who voted Republican, was not reducible to this. There was also a lot of concern from unions, given how NAFTA had hurt them, and many on the left were worried about the deregulation, threats to journalism, and much more.⁶¹ As part of his populist platform, Trump promised to tear up the TPP, which was in the final stages of the approval process during the 2016 Election. In its place, he claimed that he would negotiate “fair, bilateral trade deals that bring jobs and industry back onto American shores.” Three days after taking office he signed a presidential memorandum withdrawing the U.S. from the TPP.⁶²

Trump’s actions here were no more about helping the people than FDR’s passage of the New Deal was. Rather, both of these actions, passing the New Deal and ripping up the TPP, reflect an understanding on the part of a section of the bourgeoisie that a new form of class rule is needed to maintain the stability of their class rule, both domestically and internationally.⁶³

In addition to rejecting the TPP, Trump started a major trade war with China *and other countries* (including EU allies), by imposing high tariffs on imported products.⁶⁴ These tariffs were

61 To get a sense of the opposition to the TPP in the U.S. left, c.f.

<https://www.counterpunch.org/2014/10/24/the-medicine-of-the-trans-pacific-partnership/>,
<https://www.counterpunch.org/2013/04/03/trans-pacific-partnership-corporate-power-tool-of-the-1/>,
and <https://www.counterpunch.org/2015/04/24/the-trans-pacific-partnership-and-the-death-of-the-republic/>. From the latter of the three:

“The most controversial provision of the TPP is the Investor-State Dispute Settlement (ISDS) section, which strengthens existing ISDS procedures. ISDS first appeared in a bilateral trade agreement in 1959. According to The Economist, ISDS gives foreign firms a special right to apply to a secretive tribunal of highly paid corporate lawyers for compensation whenever the government passes a law to do things that hurt corporate profits — such things as discouraging smoking, protecting the environment or preventing a nuclear catastrophe.”

62 This had significant negative diplomatic ramifications, given how the U.S. bourgeoisie had wrung concessions from numerous other countries to make the TPP work. A leading TPP negotiator for Mexico, Salvador Behar, summed up the sentiment of many countries in the TPP negotiations when he said, “We negotiated TPP with a big brother, and all of a sudden big brother stepped down.”

63 Recall that opposition to the New Deal was so intense among a section of the capitalists, that they tried to organize the Wall Street Coup to depose FDR. Given this history, is it any surprise that a section of the bourgeoisie, particularly the strident Neoliberals from the Obama administration (and Neocons from the Bush administration), screamed bloody murder over Trump ripping up the TPP? This point is also worth considering in light of the recent assassination attempts on Trump. It is unclear if a section of the bourgeoisie and the state was behind these attempts, but given that Trump’s policies would cost a section of the bourgeoisie tens of billions of dollars (while vastly enriching others), it is not out of the realm of possibility that some of them had a hand in the attempts on Trump’s life.

64 Lighthizer notes that Trump “elected to use his authority under Section 232 of the Trade Expansion Act of 1962. He reasoned that these industries were in danger of collapse in the United States, threatening the country’s ability to ramp up military production in the event of a conflict, and that a 25 percent tariff was needed on certain steel imports and a 10 percent tariff was called for on aluminum.” In this way Trump not only circumvented Congress to impose these tariffs but also the WTO.

Lighthizer also noted that Trump’s tariffs helped to stop Chinese car companies from expanding their sales in the U.S. market:

“We put a 25 percent tariff on automobiles coming from China. This prevented what would surely have been an import surge and a serious blow to US workers. Chinese imports had grown from 1,000 in 2015 to 45,000 two years later. That number would have gone to hundreds of thousands quickly.

somewhat poorly planned and executed; diplomatically they were costly because they were applied in a ham-fisted fashion that did not properly grant exemptions to key allies and industries.⁶⁵ However, this unilateral action also did force allied countries to grant a number of concessions to the U.S. bourgeoisie on various trade related matters.

It is also significant to note that the Trump administration circumvented the WTO and instead used claims of China's intellectual property violations to justify unilateral tariffs under Section 301 of the 1974 Trade Act.⁶⁶ Trump also went after key Chinese companies, like Huawei and ZTE, which have emerged as major competitors to U.S. and EU companies on a global scale.⁶⁷ Yet, even with all the shortcomings, a significant section of the U.S. ruling class, especially in the State

Europe, which did not take a similar step, saw its car imports from China grow from around 60,000 units in 2016 to over 400,000 five years later. European car imports from China are projected to be 800,000 in another three years. When Trump announced our tariffs, the giant Chinese automaker SAIC abandoned its plans to enter the American market; Ford decided not to import into the United States from China; Volvo stopped importing from China and switched to Europe; and General Motors was forced to alter its plans and not import from China. A future crisis was averted.”

Robert Lighthizer, *No Trade is Free: Changing Course, Taking on China, and Helping America's Workers*, p. 303-304.

Recently the EU has imposed much higher tariffs on Chinese EVs:

<https://www.cnbc.com/2024/10/04/european-union-votes-to-impose-tariffs-on-chinese-electric-vehicles.html>

- 65 While this ham-fisted approach to diplomacy was characteristic of the Trump presidency (though this was often somewhat overstated in the media, and also partially reflected the objective needs of the U.S. bourgeoisie to act more unilaterally), it is important to remember that the Trump administration's arrogance was merely *a particularly concentrated expression* of the typical attitude of the U.S. bourgeoisie.

The Biden-Harris administration has made many similar diplomatic missteps. For example, when the Biden-Harris administration passed various acts and measures aimed at countering China and bolstering domestic industrial production, they failed to inform key allies until the last minute, and did not even try to get buy-in from them on the policies. Instead they simply told them of the new U.S. policy and demanded immediate compliance. This sort of “my way or the highway” approach can hardly even be called diplomacy.

c.f. Jason Hsu's comments on the topic. He is a former legislator from Taiwan and a current Edward Mason Fellow at Harvard Kennedy School: “When the United States' onshoring initiatives and the CHIPS and Science Act were delivered [by the Biden-Harris Administration], they weren't communicated very well within Taiwan. That gives opponents impetus to affect how the Taiwanese general public thinks about this issue, especially in a high-election season. Going forward, we need to ensure buy-in from industry and the public, and Taiwan's government has to do a better job in coordinating with the United States. I still hear from companies that the very same day that U.S. policy changes were announced, Taiwanese companies were expected to comply. That puts them in a very difficult situation.” <https://www.brookings.edu/articles/american-economic-statecraft-in-the-asian-century/>

- 66 <https://ustr.gov/sites/default/files/Section%20301%20FINAL.PDF>

One member former United States Trade Representative lawyer, Kathleen Claussen said “The 301 is a blunt instrument that can be used to achieve what in this instance likely could not have been achieved through the WTO — significant and quick impact.” <https://www.propublica.org/article/robert-lighthizer-blew-up-60-years-of-trade-policy-nobody-knows-what-happens-next>

The WTO eventually ruled that these tariffs violated international law. However, the U.S. did not appeal, and China had already imposed retaliatory tariffs without waiting for the WTO. This demonstrates just how irrelevant the WTO is becoming in a world of increasingly Neomercantilist policy.

- 67 It is important to note the banning of these companies is not just aimed at curbing the sale of Chinese goods, but at radically reconfiguring global supply chains and the global economy. These include not just supply chains for U.S. companies, but also of allied countries like Japan, South Korea, Germany,

Department, was glad to see Trump take more decisive action aimed at countering China.⁶⁸ Likewise, many trade representatives from the Obama administration were initially somewhat optimistic about Trump taking a tougher stance on trade with China.⁶⁹

The Trump Administration also renegotiated and revamped NAFTA, replacing it with the The United States-Mexico-Canada Agreement (USMCA).⁷⁰ This FTA was largely a continuation of NAFTA, and, of course, largely benefits the U.S. capitalists. However, it is important to note that the USMCA did include some concessions to unions and to populist demands more broadly. Even the Biden-Harris Administration and the liberal-minded Brookings Institute have been bragging about how this trade agreement has some provisions which are helpful for workers and unions.⁷¹ The reality is that these provisions are little more than a few crumbs thrown to workers and union leaders in a trade agreement which overall significantly hurts them and enriches the capitalists. However, these small crumbs were enough to secure the endorsement of the AFL-CIO. This was the first time the AFL-CIO endorsed a trade agreement since the Johnson administration. The fact that the Trump administration felt it necessary to include within the USMCA some concessions to the unions specifically shows the degree to which the *form* of class rule is changing in this country.⁷²

The USMCA has been quite successful for the bourgeoisie in numerous respects. In particular, it drastically increased trade and investment between these three countries. However, unlike NAFTA, it has done so in a way that aids in the development of new industrial production in the

etc. One analyst of Japanese government policy and security noted, “The Japanese government and the Japanese private sector started feeling that U.S. policy toward China was really changing [with this ban]. The implication went beyond a ban on a couple of telecommunications companies: Japanese companies, which were selling software and hardware to the U.S. government, were no longer able to use embedded systems of which Huawei and ZTE were a part.”

<https://www.brookings.edu/articles/american-economic-statecraft-in-the-asian-century/>

What’s more, these companies were banned by means of the 2018 National Defense Authorization Act, indicating how these major changes to U.S. foreign policy and production are increasingly being framed in terms of national security.

68 C.f. this interview with Jeffrey Goldberg, editor-in-chief of the Atlantic, in which he talks about Kissinger’s views on Obama’s shortcomings in his policy towards China:

<https://www.pbs.org/newshour/show/henry-kissinger-thinks-obama-trump-china>. It’s important to consider that Kissinger was a leading figure in the section of the U.S. ruling class who were more Dovish on China, and *even he* felt Obama had been too soft and indecisive in countering China’s rise.

69 <https://www.propublica.org/article/robert-lighthizer-blew-up-60-years-of-trade-policy-nobody-knows-what-happens-next>

However, when it became clear that Trump’s trade policies his head of the USTR, Robert Lighthizer, would not be free-trade oriented, but protectionist, the USTR saw more than 20% of its staff leave.

70 It should be noted that the bill for the USMCA passed the House of Representatives in 2019 by a vote of 385 to 41, just a few days after the House had voted to impeach Trump. This gives a sense of how strongly the U.S. bourgeoisie supported this new trade deal.

71 <https://www.brookings.edu/articles/a-trade-agreement-for-the-common-good/>

In addition to the Rapid Response Labor Mechanism (RRM) mentioned in this article the USMCA also included provisions to limit the ability of Chinese auto manufacturers to sell their vehicles in the North American markets and benefit from the free trade agreement. Robert Lighthizer, who led the negotiations, also noted that the deal “introduced a novel provision requiring that 40 percent of car content (and 45 percent of truck content) be produced in high-wage factories—which effectively means factories in the United States and Canada. This ‘labor value content’ rule was the first of its kind, and it is already helping to bring manufacturing back to the United States.” <https://archive.is/HQur7>

72 Contrast this with response from the AFL-CIO with how the unions responded to Clinton’s support for NAFTA in the 1990s. Although extremely telegraphed, NAFTA was seen by some unions leaders as such a betrayal that they temporarily and tacitly supported the creation of a Labor Party. In the end, they were unwilling to go through with running any candidates against the Democrats and this Party fell apart.

U.S., as opposed to facilitating the offshoring of production. The USMCA is also helping the bourgeoisie friendshore significantly more production from China to Mexico. Going forward, the USMCA will be something of a model for Neomercantilist trade deals.

c) The Biden Administration's Continuity with Trump

Joe Biden is one of the longest serving politicians in Washington, DC. He has a lengthy history of supporting various reactionary measures including cutting welfare, supporting the notorious Crime Bill, cheerleading many wars, and much more. Biden infamously eulogized a number of old-style Jim Crow racists, including avid segregationist Strom Thurmond and Senator Robert Byrd, former "Exalted Cyclops" of the West Virginia KKK. Biden was also notorious for happily serving the credit card companies, most of which are based in his state of Delaware. Therefore, during his campaign, which took place during the George Floyd protests, he tried hard to paint himself as a progressive candidate and whitewash his checkered past. This was particularly important for his legitimacy given the growing popularity of socialism among young people, the large-scale support that Bernie received, and the popular discontent expressed at the time, especially through the George Floyd protests.

In order to build the legitimacy of his candidacy, Biden had to promise various concessions on key issues, such as green energy and climate change, police brutality, minority rights, student loans, and more. Of particular importance is that, during his campaign, Biden began to frame himself as a pro-union candidate, something at odds with his long-standing history of supporting big business and deregulation. Once elected, he went so far as to begin describing himself as "the most pro-union president in history."

It is important to note that this rhetoric around supporting the unions was not just because of the pressures of the class struggle and protest movements. There are numerous other factors, including the still somewhat nascent but growing efforts by the Republican Party to openly court unions. This was exemplified by traditionally anti-union politicians like Marco Rubio publishing a 2018 op-ed supporting unions, provided that they maintained a "non-adversarial" relationship with corporations.⁷³ The Democrats were not unaware of what this represented. These overtures, combined with the populism of not just Trump but also younger Republicans like Josh Hawley pose a threat to the Democrat Party's recent relatively monopoly on support from union leadership.

Upon taking office, the Biden-Harris administration surprised many by keeping the Trump-era tariffs and other measures in place.⁷⁴ Prior to this point, many in the U.S. and abroad had expected something of a "reset" in U.S.-China relations under Biden. However, not only did Biden not roll back Trump's various measures against China, his administration actually added to them and expanded them. This included measures like putting export controls in place to restrict the flow of U.S. goods to China, as well as large-scale measures that aimed to stop allies from selling key means of production to China.⁷⁵ All of this have been combined with large-scale efforts to rebuild the domestic manufacturing base and restrict U.S. investment in China in key industries.⁷⁶

73 <https://www.theatlantic.com/ideas/archive/2018/12/help-working-class-voters-us-must-value-work/578032/>. In 2021 Rubio also published a statement in support of workers who were trying to unionize at Amazon in Bessemer, Alabama: <https://www.rubio.senate.gov/icymi-rubio-i-stand-with-workers-at-amazon-s-bessemer-warehouse/>

74 This was, in part, due to the feeling among many in the Biden-Harris Administration that they were too soft on China when they worked in the Obama administration. c.f. <https://www.lowyinstitute.org/publications/why-biden-wants-be-more-trump-obama-china>

75 Principal among these was the agreement with the Dutch government to stop Advanced Semiconductor Materials Lithography (ASML), a Dutch multinational corporation, from selling Extreme Ultraviolet Lithography (EUV) photolithography machines to China. ASML has a 100% monopoly on these means of production, which are the only ones in the world capable of making 3 and 5 nanometer semiconductors.

76 <https://www.nytimes.com/2023/08/09/us/politics/biden-ban-china-investment.html>

These efforts have included legislation like the CHIPS and Science Act, the Infrastructure Investment and Jobs Act, and the Inflation Reduction Act (IRA).⁷⁷ This is Neomercantilism. The aim is to reshore production in batteries, semiconductors, and more. The Biden administration is also working to protect and expand the domestic automobile industry, along with related heavy industry. This will not only allow the U.S. bourgeoisie to compete more effectively with China, but it will also eat into the market share of European and Japanese manufacturing, both in the U.S. market and internationally.⁷⁸

This can be seen, for example, in the tax-credits for electric vehicles that were an integral part of the IRA. Only vehicles assembled in North America can receive this \$7,000 tax credit. This means that electric vehicles assembled in South Korea, Japan, and Europe now have a \$7,000 disadvantage in the U.S. market. In conjunction with the higher cost of energy in Europe post-Nordstream sabotage, this has made it hard for the European car companies to compete in the U.S. market, and in the longer-term, internationally.⁷⁹

77 These pieces of legislation were originally part of Biden's \$3.5 trillion proposed Build Back Better plan. This huge plan included massive provisions for domestic manufacturing, including some bigger concessions to unions. Some in ruling class were concerned about these concessions, and related deficits and so fought to kill the bill. There was also a lot of debate over how to best make various Neomercantilist changes to the economy. What's more, there was some awareness among Republicans that the massive deficits needed to finance Build Back Better would stimulate the economy and aid Biden's reelection chances.

78 It is important to note that this whole strategy is dependent on the existence of cheaper energy in the U.S. than in Europe or Japan. Access to significantly cheaper energy means that U.S. industry enjoys a significant competitive advantage on the world market. This cheap energy helps to offset the higher costs of materials and labor power in the U.S. However, it should be noted that in production processes with a high organic composition of capital, the U.S. was already competitive with China, Europe, and Japan on the world market. Therefore, having significantly lower prices of production due to lower energy costs will mean that U.S. industry is able to sell its commodities for a higher than average rate of profit on the international market.

Further protectionist measures in the U.S. seem aimed at reducing Europe to more of a dependent position. However, this will anger European allies, as they want to be more autonomous, not reduced to mere satellites of the U.S. These more aggressive mercantilist policies, whether pursued by Biden or Trump, will potentially cause EU allies to chafe under the yoke of U.S. imperialist supremacy. We have already seen how this led to some leading EU countries, such as France, pursuing somewhat closer relations with China in the name of "Strategic Autonomy." On the other hand, in order to be competitive in their home market these same European countries will need to adopt significant protectionist measures themselves, especially aimed at keeping out Chinese EVs (and other durable goods), which are presently gobbling up market share in the EU. In the end, this factor could well push them to begrudgingly accept a reduced and more subordinate role to the United States.

79 In response to the IRA, the EU Commission changed how they apply subsidies and state aid for key sectors such as green energy and batteries. This change was known as the "Temporary framework for crisis management and change" and allows EU countries to expand subsidies in response to subsidies from a non-EU country and/or if a key company risks relocating because of the cost of doing business in the EU.

More recently, the EU Commission prepared a report on how Europe can develop "strategic autonomy" from the U.S. and China. This report was headed by former ECB head, Mario Draghi. It is a comprehensive plan for Europe to invest around 800 billion Euro *per year* to reconfigure its economy. In his speech on the report, Draghi noted that one of the most significant obstacles to the competitiveness of EU industry in global markets is that "We have the highest energy prices: EU companies face electricity prices that are 2-3 times higher than those in the United States and in China."

The report and Draghi's speech can be found in full here:

https://commission.europa.eu/topics/strengthening-european-competitiveness/eu-competitiveness-looking-ahead_en

All of this being said, these acts are not nearly enough to revitalize domestic manufacturing in the U.S., let alone fundamentally transform the world imperialist system and reconfigure global supply chains. For example, the CHIPS Act only provided \$52 billion over a few years to develop domestic semiconductor manufacturing. Semiconductor factories, called “fabs,” are enormously expensive. A state of the art fab costs tens of billions of dollars to make.⁸⁰ In 2021, South Korea’s semiconductor industry invested \$39 billion for just one year, and building costs are higher in the U.S. This gives a sense of how much more money will be needed to develop the domestic semiconductor industry alone.

Biden has also passed a series of other measures that take important steps to transform the U.S. economy and the world imperialist system. These include export controls aimed at curbing the ability of the U.S. corporations, and those of allies, to sell key technology to China. These will force these companies and countries to alter their supply chains and markets, taking important steps towards reorganizing the global economy and decoupling the U.S. and China.

Some of these Neomercantilist measures (such as Department of Energy loans for green energy manufacturing like lithium-ion batteries) provide the government with tools to direct production in a somewhat more organized fashion. These give the bourgeois state mechanisms by which it can direct, to some degree, where and how to produce key commodities, means of production, and essential technology. However, a significant portion of the policies which Biden-Harris administration has rolled out, such as the EV tax credits, are more “market conforming” measures. These broadly subsidize consumer demand for a given sector, but do not amount to anything approaching an industrial policy or a systematic production plan.

The bourgeoisie, as a class, is of course totally incapable of running a truly systematic and planned economy. The anarchy of production inherent to a system of generalized commodity production—and the private property relations on which it rests—prevents this. Insofar as there is capitalism, there are many competing capitals, even within a unified home market. However, the U.S. bourgeoisie has, in the past, taken a much more ambitious approach to planning the economy. This involved, as one would expect, all the corruption, maneuvering, and decadence inherent to bourgeoisie society.⁸¹ However, there is a big difference between the bourgeoisie developing a relatively coherent industrial policy and carrying out a series of patchwork measures. What the Biden-Harris administration has put forward so far is more of the later than the former.

That being said, all of this does represent a significant departure from Neoliberalism. In reality, the policies that the Biden-Harris administration has pursued so far, represent the first steps towards a coherent and unified Neomercantilist policy. It remains to be seen if the U.S. bourgeoisie is capable of developing a systematic new policy and carrying out the related reworking of domestic and international institutions which would be necessary for this sort of transformation. If we look, for example, at the institutions that were created during the New Deal, we can get a sense of what sort of scale of reorganization of the government will be needed to streamline the domestic reindustrialization and the broader reconfiguration of the world imperialist system. As of yet, no bourgeois politician or think tank is proposing anything even close to this scale.

More recently, the EU auto market has entered into a significant downturn: <https://archive.ph/edZ18>

80 What’s more the planned fabs in the U.S. are schedule to produce only the most advanced semiconductors, the 2, 3, and 5 nanometer variety. However, most civilian and military technology does not rely on these more advanced chips, and instead use larger chips, known as legacy chips. There are not presently plans to build or subsidize the construction of fabs capable of producing legacy chips in the U.S. Most of those used in the U.S. are still made in China.

81 In fact, departmentalism within the segments of bourgeoisie state which influence different sectors of the economy is a particular manifestation of the anarchy of production which results from generalized commodity production.

d) Biden and the Unions

As noted above, in Biden's 2020 campaign and since, he has tried to frame himself as a "pro-union" president. Of course, Biden is also an open supporter of the capitalist system. However, these things are not inherently in logical contradiction, insofar as Biden supports unions as a form of capitalist control of the working class movement. With the development of the modern labor-company-government relations during the New Deal, and especially with their refinement by the Taft-Hartley Act, there has been close collaboration between union leadership, the bourgeoisie, and the bourgeois politicians.⁸²

In order to carry out the large-scale reindustrialization of the country, keep the class struggle within acceptable limits, and ensure regular production in the new industries, the bourgeois needs the unions. They need corrupt union leadership willing to sell out workers' struggle while maintaining the form of appearance of radicalism and militancy. When the class struggle intensifies and the working class movement cannot totally be held back and strike cannot be completely avoided, they need these misleaders of labor to weaken the movement, run interference, and limit the scope and scale of strikes and disruptions. Both Biden and Trump also need the support of the union leadership and their members to win elections. If we look at Biden's presidency, we can see both how he has maneuvered to win support of union leaders, and how he has, in turn, used their support to keep a lid on the class struggle.

The most glaring example of this relationship between union leadership and the Biden administration is the crushing of the Railway Strike in December, 2022. This move to stop the strike came after the proposed contract was rejected by a number of unions—and strongly opposed by workers broadly, even in the unions which did endorse the contract—in part because of the lack of paid sick leave. In perhaps the most blatant quid-pro-quo in recent union history, Biden secured the support of the Teamsters' leadership for this deal by offering them a \$36 billion bailout of their pension fund. This was the largest-ever private pension bailout, for a union leadership which is notoriously corrupt.⁸³

This example gives a sense of how close relations with reactionary union leadership are essential for the capitalist class to ensure the orderly flow of capitalist production. Without these sorts of relationships, major strikes cannot be easily averted. A similar dynamic, though somewhat less blatant, played out with the UPS contract struggle. In that case, the Biden administration worked behind the scenes with UPS and the Teamsters leadership to ensure that a contract was quickly negotiated and ratified. In this way, a strike was easily averted, the union leadership could claim a big victory (despite winning nothing meaningful), and Biden could bolster his "pro-union" credentials heading into an election year.⁸⁴

Some more complex dynamics played out in the case of the recent strike with United Auto Workers (UAW). In this case, Sean Fain was elected as the UAW president on a reform ticket. To

82 Actually this already existed long before the National Labor Relations Act (NLRA). For example, Woodrow Wilson maintained close personal contact with Gompers. However, with the New Deal, these relations became formalized and a large government bureaucracy was set up to manage them. Taft-Hartley further restricted the scope of acceptable and legal actions that unions can take. This Act was passed during McCarthyism and also required required union leaders to file affidavits with the United States Department of Labor declaring that they were not supporters of the Communist Party and had no relationship with any organization seeking the "overthrow of the United States government by force or by any illegal or unconstitutional means." This aspect of Taft-Hartley was ruled unconstitutional in 1965, but the rest of it remains in force today.

83 <https://news.yahoo.com/bidens-36-billion-save-teamsters-130000992.html>

84 This was before Biden was ousted as the Democrat Party candidate and replaced with Kamala Harris. It should be noted that, despite this close collaboration between the Biden-Harris administration, the Teamster's General President Sean O'Brien spoke at the RNC this year. A large portion of Teamsters union members, the majority of those who vote in elections, support Trump: <https://www.politico.com/news/2024/09/18/teamsters-favor-trump-harris-endorsement-00179879>

prove his legitimacy—to both the social-democratic office workers and graduate students who helped spearhead his campaign *and* to autoworkers disgruntled by generations of betrayal from UAW leadership from the ousted “Administration Caucus”—Fain had to take a strong stand on a few issues and not capitulate. Some of the key issues were the two-tier wage system, the EVs transition, and outsourcing production to other countries and right-to-work states. In this context, given the militancy of the autoworkers and the need for Fain to prove himself, it was highly likely that a strike would occur with the contract expiration looming. However, this does not mean that the strike, even when it ended in victory in the form of a new contract, was an *unqualified victory for the proletariat*. As we will see, insofar as this strike bolstered the legitimacy of Fain, and insofar as he, in turn, is now campaigning for the Democrats, this whole saga should serve as a warning of the potential pitfalls for the working class movement.

While UAW did go on strike, and while Fain has taken up a more militant tone—for example, regularly wearing an “Eat the Rich” t-shirt—he was also a special guest of President Biden at the most recent State of the Union. This shows clearly what sort of class politics which Fain really represents. This example is particularly interesting because it gives a sense of how the Biden-Harris administration handles a somewhat more militant trade unionist politics and how their efforts to maintain good relations with the unions has caused bourgeoisie to somewhat modify their plans for reindustrialization. And while this saga should serve as a warning on the limitations of trade unionists, it also points to the vulnerabilities of the ruling class to the working class movement, vulnerabilities which communists can take advantage provided that we understand them and put ourselves in a section to lead the advanced sections of the movement.

The passage of Biden’s various acts aimed to reindustrializing has seen hundreds of billions of dollars in private-sector money invested in new industry across the country. However, the vast majority of this has been invested in Red states, where the cost of living is cheaper and wages are lower. Many new plants are set to open in right-to-work states. This has sparked fears that things like the transition to EVs in the auto industry will lead to the loss of union jobs, as new plants to manufacture batteries and vehicles were opened in states with laws that make union organizing more challenging.

Initially the Biden administration made it clear that they did not have an explicit preference for where green energy investment goes. Energy Secretary Jennifer Granholm went so far as to say that the administration was “agnostic” on this question, meaning that they did not mind if capitalists used federal loans and grants to open new plants in right-to-work states in order to avoid unionization. A few months before the UAW strike, in June, 2023, the Department of Energy approved a \$9.2 billion federal loan to Blue Oval SK (a joint venture of Ford and SK Innovation) for the construction of three manufacturing plants to produce batteries for Ford and Lincoln EVs.⁸⁵ These plants were slated for construction in Tennessee and Kentucky, both right-to-work states.

Sean Fain immediately released a statement condemning this decision, stating “We have been absolutely clear that the switch to electric engine jobs, battery production and other EV manufacturing cannot become a race to the bottom. Not only is the federal government not using its power to turn the tide – they’re actively funding the race to the bottom with billions in public money.”⁸⁶ Fain also noted how Ford and other car companies have a long-pattern of closing existing unionized plants only to open new non-unionized facilities—often while taking advantage of federal subsidies—in right-to-work states. This instance was far from unique. In March, 2023, Reuters reported since the since the passage of the IRA 83% of announced new factories making new green energy technology, such as solar panels and batteries, were located in right-to-work

85 <https://www.energy.gov/lpo/articles/lpo-announces-conditional-commitment-loan-blueoval-sk-further-expand-us-ev-battery>

86 <https://uaw.org/statement-uaw-president-shawn-fain-federal-government-giving-ford-9-2-billion-loan-no-strings-attached/>

states.⁸⁷ Given this, Fain stated that, “So far [the IRA’s] been disappointing. If the IRA continues to bring sweatshops and a continued race to the bottom it will be a tragedy.”⁸⁸

This criticism and the looming UAW strike had the Biden-Harris administration worried. Given that a large portion of UAW membership supports Trump—as he has been very vocal about the EV transition being “a scam” and has long promoted protectionist measures for the auto industry—Biden could not risk losing the support of the union in his reelection campaign. Even if Fain just remained neutral and refused to endorse Biden, he saw that it could have been a big blow to his reelection chances.

Therefore, in August—just a month prior to the start of the strike—the Biden-Harris administration announced that they would provide \$15.5 billion to automakers to help them retool existing unionized factories to produce batteries and EVs. Energy Secretary Granholm—who had previously been “agnostic” about where new facilities were built—told reporters, “We are going to focus on financing projects that are in long-standing automaking communities, that keep folks already working on the payroll, projects that advance collective bargaining agreements, that create high-paying, long-lasting jobs.”⁸⁹ Right on cue, Fain quickly released a statement praising the Biden-Harris administration and noting that “the UAW looks forward to continue working with the Biden-Harris administration to ensure a just transition for the auto workers in this country.”⁹⁰ Based on this and other discussions, Biden seemed to initially believe that the strike was not going to happen; he said as much as late as September 6, 2023. However the strike did begin on the 15th of that month.

As the strike got underway, Trump, perhaps at the secret invitation of Fain, announced that he was planning to visit the picket line and talk to UAW workers.⁹¹ This prompted Biden to plan a visit to the picket line, the first time a U.S. president has ever done so. This, of course, does not show that Biden is, in fact, a “pro-union president,” but rather it speaks to the strategic vulnerability of the U.S. ruling class at present. In order to maintain and justify their class rule they need to not only adopt vaguely populist rhetoric, but actual show their face at union pickets

87 <https://archive.is/rbbR4>

88 <https://www.theguardian.com/us-news/2023/aug/15/biden-climate-bill-car-workers-union?ref=compactmag.com>

89 <https://www.canarymedia.com/articles/clean-energy-manufacturing/doe-offers-15-5-billion-to-retool-existing-auto-plants-for-evs>

A month later, at the start of the UAW strike, an anonymous Senior Biden-Harris administration official told a report for *The Atlantic* that “All I would say is, the president is not ‘agnostic’ about where the clean-energy investments are flowing.” The official also noted that Biden is “the president for all of America. But all of America ought to respect the right to organize. He is trying to move the system toward good-paying jobs and more union density.”

90 <https://uaw-newsroom.prgloo.com/press-release/statement-by-uaw-president-shawn-fain-on-the-u-s-department-of-energy-announcing-usd-15-5-billion-in-new-grants-and-loans-to-support-a-just-transition-to-electric-vehicles>

91 Around this time period, Trump released a statement saying “Crooked Joe Biden had no intention of going to visit the United Autoworkers, until I announced that I would be heading to Michigan to be with them, & help then [sic] out. Actually, Crooked Joe sold them down the river with his ridiculous all Electric Car Hoax. This wasn’t Biden’s idea, he can’t put two sentences together. It was the idea of the Radical Left Fascists, Marxists, & Communists who control him and who, in so doing, are DESTROYING OUR COUNTRY! Within 3 years, all of these cars will be made in China. That’s what Sleepy Joe wants, because China pays him and his family a FORTUNE. He is a Manchurian Candidate. If the UAW “leadership” doesn’t ENDORSE me, and if I don’t win the Election, the Autoworkers are “toast,” with our great truckers to follow. Crooked Joe Biden is the most Corrupt and Incompetent President in the history of the USA. If he is able to gather the energy to show up, tell him to go to the Southern Border instead, & to leave the Car Industry alone!”

<https://truthsocial.com/@realDonaldTrump/posts/111113056487872337>

This statement is a helpful reminder that Trump’s populism, while it has some broader appeal among the masses and a section of the proletariat, is fundamentally based on anti-communism.

and make a public display of close collaboration with social-democratic union leaders. After the UAW secured tentative agreements with the Big Three automakers, Biden visited Fain, put on a UAW t-shirt and congratulated him.

A few months later, Fain and the UAW endorsed Biden for reelection.⁹² Fain then proceeded to make a series of fawning comments praising Biden. For example, in January of this year on CBS's *Face of the Nation*, he stated "Joe Biden has a history of serving others, and serving the working class, and fighting for the working class, standing with the working class."⁹³ In February Fain went campaigning with Biden in Motor City, Michigan, where he stated "You know what the hell's going to happen if this man's not president, because we've seen what happens. Labor went backwards."⁹⁴ In March, Fain was a special guest of Biden at his State of the Union address. He was an animated cheerleader for Biden, with the camera panning to him giving standing ovations every time Biden made a statement about unions and reindustrializing.

While this example is an exposure of the political bankruptcy of Sean Fain, it is also an important lesson in the state of the bourgeoisie right now and the degree to which they are relying on union leaders to secure their popular legitimacy. The Biden-Harris administration feels that they cannot just rely on the traditional business union bureaucrats for support. They have instead bent over backwards to ensure a close working relationship with the social-democrat Sean Fain, who talks about how "billionaires shouldn't exist." This speaks to their awareness of the growing popular sentiment among the working class for some sort of significant transformation in the country. This is still a vague, spontaneous, and largely unconscious yearning. It still largely takes the explicit form of one form or another of radical bourgeois reformism. However, given the *being of the proletariat*,⁹⁵ it can and will develop, provided that Communist give proper leadership, into a more militant and conscious movement of the class.

While the ruling class is not so conscious of this, they do have, in a vague and instinctual sense, an understanding of the threat that the working class movement presents to their continued class rule. This is evident not only in the right-wing anti-communist measures and diatribes put forward by politicians like Trump and DeSantis. It is also evident in the Biden administration's efforts to frame the union struggle as principally a fight for "fair wages," "good paying jobs," and "an entry into the middle class." He thus aims to keep the working class movement under the domination of bourgeois ideology and within the ideological and political framework acceptable to the capitalist class.

Biden and Trump's courting of UAW shows quite clearly how the ruling class needs the unions' support to secure not only their electoral ambitions but also their larger political and economic objectives. All of this indicates that there will be greater political openings for the class struggle

92 He has since endorsed Kamala Harris and campaigned for her.

93 <https://www.cbsnews.com/news/shawn-fain-uaw-face-the-nation-transcript-01-28-2024/>

94 <https://www.cbsnews.com/news/united-auto-workers-president-shawn-fain-on-comeback-of-labor-movement/>

95 "Since in the fully-formed proletariat the abstraction of all humanity, even of the *semblance* of humanity, is practically complete; since the conditions of life of the proletariat sum up all the conditions of life of society today in their most inhuman form; since man has lost himself in the proletariat, yet at the same time has not only gained theoretical consciousness of that loss, but through urgent, no longer removable, no longer disguisable, absolutely imperative *need* — the practical expression of *necessity* — is driven directly to revolt against this inhumanity, it follows that the proletariat can and must emancipate itself. But it cannot emancipate itself without abolishing the conditions of its own life. It cannot abolish the conditions of its own life without abolishing all the inhuman conditions of life of society today which are summed up in its own situation. Not in vain does it go through the stern but steeling school of *labour*. It is not a question of what this or that proletarian, or even the whole proletariat, at the moment *regards* as its aim. It is a question of *what the proletariat is*, and what, in accordance with this *being*, it will historically be compelled to do. Its aim and historical action is visibly and irrevocably foreshadowed in its own life situation as well as in the whole organization of bourgeois society today." Marx, *The Holy Family*.

going forward, because the U.S. bourgeoisie can no longer solely rely on totally corrupt lackeys as union leaders. Nor can they carry out this large-scale reindustrialization effort without the support and close cooperation of the unions. What's more, the contradictions among the ruling class parties are increasing, as they fight for the support of the unions, this will create greater openings for the working class movement. No longer will it be easy to justify the credo that "we must support the Democrats because they are more supportive of unions." This, in turn, will open the door to greater opportunities for independent political action of the working class.

e) The Trump and Lighthizer's Plan

Despite the hysteria in the media, Trump's basic economic policies are not so different from Biden's. The similarities, are, in fact, quite striking. Trump likewise aims to preserve the global dominance of the U.S. bourgeoisie through aggressive Neomercantilist policies aimed at reducing economic ties with China and reshoring production. The main difference seems to be that Trump aims to move more rapidly and decisively. That being said, given his hyperbolic nature, it is hard to say exactly where the line lies between real policies and rhetorical flourishes with Trump.

Regardless, if we look at what Trump has actually proposed so far, we can understand the basics. Trump has promised to immediately impose a flat tariff of around 10-20% on all imports to the U.S.⁹⁶ Additionally he said he will impose a 60-100% tariff on all goods from China, with tariffs on Chinese cars to be as high as 200%. He has also said he wants to create ten "Freedom Cities" from scratch using federal land grants. While some of what he has said about these new cities (e.g. that they will have flying cars) can be dismissed as empty campaign promises, he has also emphasized that these will be "industrial hubs" and it seems that these new cities are part of a larger and more comprehensive plan for reindustrialization that the Trump campaign is putting together. Industry in these new cities will benefit from a higher rate of profit resulting from not having to pay for land. This is all part of Trump's larger four year plan to decouple with China in which he plans "to phase out all Chinese imports of essential goods — everything from electronics to steel to pharmaceuticals" and craft new rules to stop U.S. investment in China except "those investments that clearly serve American interests."⁹⁷

Trump has said that he will also eliminate China's Permanent Normal Trade Relations (PNTR) status, which the U.S. granted when China joined the WTO in 2001. This past December, the Bipartisan House Select Committee on the Chinese Communist Party likewise called for this measure to be taken, which indicates that this move has broad support from a large section of the ruling class.⁹⁸

All of these measures will be extremely disruptive. Even this last measure, if carried out in isolation, will, according to one estimate, lead to a loss of \$1.6 trillion for the U.S. economy and cause the loss of 744,000 jobs on five years.⁹⁹ This particular study was commissioned by the U.S.-China Business Council, which obviously has a major vested interest in continued and expanded business between the U.S. and China, so the findings should be taken with a grain of salt. However, there is no doubt that a major decoupling with China would be very disruptive and inflationary for the U.S. economy.

The real difference between the Biden-Harris and Trump administrations pertains to this question, of how fast to move and how aggressively to transform the world imperialist system.

96 This would be in addition to existing tariffs that are already in place. So if there was already a 5% tariff on a given commodity, it would rise to 15-25%. Trump has also left it unclear if these tariffs will apply to countries with which the U.S. already has FTAs, such as Canada and Mexico. In the end it likely won't be applied to them. However, his administration will likely use the threat of applying this tariff to wring more concessions from them.

97 <https://www.nytimes.com/2023/12/26/us/politics/trump-2025-trade-china.html>

98 <https://selectcommitteeontheccp.house.gov/sites/evo-subsites/selectcommitteeontheccp.house.gov/files/evo-media-document/reset-prevent-build-scc-report.pdf>

99 https://www.uschina.org/sites/default/files/the_economic_impact_of_china_pntr_repeal.pdf

One of Trump's closest campaign advisors, and the architect of the China tariffs in his prior administration, is Robert Lighthizer. Lighthizer ran the USTR¹⁰⁰ under Trump and has long been standing advocate of protectionism and Neomercantilism more broadly. Lighthizer is one of the most experienced trade experts among the U.S. bourgeoisie. He has been an avid Mercantilist since he got started in DC, played a major role in promoting various protectionist measures in the Reagan administration, and has also worked on trade matters with various major corporations, as a lawyer on international trade, and as a lobbyist. He is perhaps the member of the ruling class most capable of leading the development of comprehensive policy to reconfigure the U.S.'s trade relations for the comprehensive shift to Neomercantilist policy. What's more, he is able to work well with both bourgeois electoral parties, as seen by his crafting of the USMCA, which received praise from Republicans and Democrats.¹⁰¹

He played a leading role in the prior Trump administration in crafting policy, is a major adviser to the campaign, and will likely play a similar role in the next Trump administration, should Trump win (which seems likely). When journalists ask the campaign about Trump's planned trade policy, they are generally referred to Lighthizer.¹⁰² Therefore, it is reasonable to consider Lighthizer's views to be fairly representative of what Trump plans to do once in office. It should be noted here, that Lighthizer's views, plans, and responsibilities are by no means limited to trade. He has argued repeatedly that "economic policy is national security policy" and has proposed sweeping changes, not just to U.S. trade relations, but also domestic economic policy and national security.

Lighthizer advocates a "strategic decoupling" with China, which he contrasts with the Biden administration's "de-risking" approach to China;¹⁰³ a preference for the latter approach is shared by most of the ruling classes in the EU. By strategic decoupling, Lighthizer does not mean a total cessation of all trade and economic relations with China. Rather, what he is advocating is a comprehensive plan of moving critical industrial production out of China, balancing U.S. trade with China, limiting Chinese investment in the U.S., developing domestic industry in key technologies (especially those with a military application), and reconfiguring global supply chains and trade patterns so that allies follow suit. This involves a massive transformation of the global economy, the U.S. domestic economy, and therefore, also the Chinese economy.

In contrast, the Biden-Harris administration's "de-risking" approach is more in line with a "China plus one" strategy that many businesses with substantial investment in China prefer. This more

100 Created by the Trade Expansion Act of 1962, the USTR's mission is to develop "open and non-discriminatory trading in the free world; and to prevent communist economic penetration."

<https://www.govinfo.gov/content/pkg/STATUTE-76/pdf/STATUTE-76-Pg872.pdf>

101 It's important to note that in an otherwise chaotic Trump administration, these negotiations were carried out subtly and with expertise. Among other things, the USMCA includes numerous provisions specifically aimed at stopping Mexico and Canada from developing too many economic and political ties with China. And the FTA has a sunset clause, which gives the U.S. the option to back out of the deal every six years. In effect, this clause allows for the U.S. bourgeoisie to wring new concessions from Mexico and Canada every few years with the threat of leaving the FTA if they don't give ground.

102 <https://www.nytimes.com/2023/12/26/us/politics/trump-2025-trade-china.html>

103 In his landmark speech, Jake Sullivan stated, "Finally, we are protecting our foundational technologies with a small yard and high fence[...] A word on China more broadly. As [EU] President von der Leyen put it recently, we are for de-risking and diversifying, not decoupling. We'll keep investing in our own capacities, and in secure, resilient supply chains. We'll keep pushing for a level playing field for our workers and companies and defending against abuses. Our export controls will remain narrowly focused on technology that could tilt the military balance. We are simply ensuring that U.S. and allied technology is not used against us. We are not cutting off trade. In fact, the United States continues to have a very substantial trade and investment relationship with China. Bilateral trade between the United States and China set a new record last year."

<https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/04/27/remarks-by-national-security-advisor-jake-sullivan-on-renewing-american-economic-leadership-at-the-brookings-institution/>

conservative strategy is an attempt to build a contingency plan for instances where essential industrial production in China is disrupted such as by a war or other events arising from the inter-imperialist competition between the U.S. and China. This “de-risking” strategy has three main components. The first is an effort to cordon off a small section of the global economy that produce key technologies (such as semiconductors) from China. This is what the Biden-Harris administration refers to as the “small yard; high fence” strategy. The second is to develop some domestic industrial production in the U.S. of key technologies and industrial goods which were previously made in China. Third is to have companies which produce in China shift some—but not all or even most—of their production out of China and friendshore it. The idea is that, then if there is a war—for example if China invades Taiwan and the U.S. sanctions China in response—then these companies can scale up production in their “plus one” countries.

Lighthizer has criticized this “de-risking” view as very naive and “fanciful.”¹⁰⁴ He argues that Biden-Harris administration’s “small yard, high fence” approach is unlikely to actually constrain China’s abilities to obtain key technologies. He also notes that, if the U.S. simply tries to cordon off access to a key few technological products with military applications (e.g. semiconductors, AI, etc.), then it will still rely on China for the inputs to these technologies, and therefore be unable to actually produce them independently. Third, he notes that the “China plus one” strategy is impractical, insofar as it is not easy to scale up production rapidly in the event of a crisis. It often takes years to do so. Therefore, he advocates a much more aggressive and rapid approach.

Despite these criticisms of “de-risking”, he has actually offered some praise of the Biden-Harris administration’s policies like the CHIPS Act and IRA, noting that these are the “beginnings of an industrial policy.” The implication, of course, is that a much larger and more comprehensive approach is needed. Lighthizer has been sharply critical of the Biden-Harris administration’s unwillingness to face major disruptions to the economy and production, and for not pushing EU allies sufficiently to be tougher on China. He, notes that “anyone who concedes that China is a problem but insists that there is some magical, disruption-free solution to the problem China presents is quite likely a liar, a fool, a knave, an irredeemable globalist, or some combination thereof.”¹⁰⁵

In his recent book, *No Trade is Free: Changing Course, Taking on China, and Helping America's Workers*,¹⁰⁶ Lighthizer lays out his plan to decouple with China, revive U.S. industry, maintain strong relations with key allied countries, and preserve the dominance of U.S. imperialism globally. He begins by noting that,

A policy of strategic decoupling must start with repealing the mistaken granting of PNTR to China. But it must not end there. It also means imposing tariffs and other measures on Chinese imports sufficient to bring about balanced two-way trade very quickly. It means limiting both incoming investment from China into the United States and our outbound investment into China to those things that will clearly benefit the American economy. Finally, it means refusing to share technology in the national security and dual-use areas and in other sectors that will affect critical infrastructure or have a significant effect on our future ability to compete. Products such as drones, for example, should be made in America or imported into our country from an ally—and the drones should contain no Chinese content or software. Products such as laptop computers, which are in the lower range of high technology, should be heavily tariffed to bring the manufacturing and the technical know-how back to the United States or, perhaps, allied countries.¹⁰⁷

104 <https://youtu.be/Tu6vxZlCC2g?t=764>

105 Robert Lighthizer, *No Trade is Free: Changing Course, Taking on China, and Helping America's Workers*, p. 203.

106 The book is quite interesting, and a significant shift in Lighthizer’s rhetoric. It is explicitly “anti-globalist,” and is dedicated to his to children and “every American worker who makes our country great.” The subsequent page includes a quote from Keynes: “When the facts change, I change my mind. What do you do, sir?”

Lighthizer goes on to explain his five point plan for decoupling with China and ensuring continued U.S. imperialist dominance.

First, he argues that the U.S. must force “fair trade” with China and other countries, including allies, through the use of existing tools and legal mechanisms. While his nominal focus is on the trade deficit, he is more concerned with ensuring that U.S. industry can remain globally competitive, even dominant, that Chinese commodities are rapidly excluded from the U.S. market and those of key allies, and that allied countries accept a more subordinate position to the U.S. In the case of other imperialist powers this means that they content themselves with being junior partners and do not pursue trade and industrial policies that threaten U.S. dominance in key sectors. In the case of oppressed countries, it means that they further open up their economies to U.S. control, but do so in a way which facilitates the revival of the U.S.’s domestic industry.¹⁰⁸ He also notes that there will be a need to update existing state tools and strengthen various laws to combat China, but that even this, by itself, will be insufficient.

These changes likely will take the form, at a minimum, of further expansion of executive power, given the incessant deadlocks in Congress. This concentration of more and more power in the executive branch of government is part of a larger slow-creep towards fascism in the U.S., as bourgeois representative democracy becomes an increasingly inviable form of class rule for the capitalists. While we are still a long ways off from fascism, it is notable that the executive branch will likely need to massively expand its powers in order to carry out many of the Neomercantilist policies that the bourgeoisie needs to preserve its class rule at home and imperialist dominance abroad.¹⁰⁹

This is an important point to clarify to many who may be taken in by bourgeois populism. Statements that “economic policy is national security policy” are warnings signs that any incidental benefits that the proletariat receives from the revival of domestic industrial production (such as the benefit of being exploited as opposed to living as a pauper on welfare)¹¹⁰ will come at

107 Robert Lighthizer, *No Trade is Free: Changing Course, Taking on China, and Helping America’s Workers*, p. 313-314.

108 This does not mean that critical industrial production will not shift to allied countries. It will, and already has begun to do so. For example, Apple has moved some production of iPhones to India. However, any such shifts of production and friendshoring have to be compatible with the revival of key industrial production in the U.S. of things like cars, batteries, semi-conductors, and more. It remains to be seen exactly which industries the U.S. bourgeoisie will decide to reshore and which industries they will prefer to friendshore. However, given the cost of labor-power in the U.S., it seems likely they will prefer to develop industries in the U.S. in which there is a very high organic composition of capital. For more labor-intensive production processes, we will likely see factories being set up in Mexico, India, the Philippines, Vietnam, etc.

109 In a recent article on his proposed policies, *Politico* noted that “Lighthizer would also crack down on new investments between the economies, allowing the Committee on Foreign Investments in the U.S. to deny stateside deals involving Chinese companies not only for national security reasons, but also economic competitiveness. And he would create a new government review board for American investments in the Chinese economy, advocating a similar approach to the one proposed by Sens. Bob Casey and John Cornyn in their National Critical Capabilities Defense Act and which is now being weighed by the White House.”

<https://www.politico.com/news/2023/06/29/trump-trade-lighthizer-second-term-00103685>

110 “The greater the social wealth, the functioning capital, the extent and energy of its growth, and therefore also the greater the absolute mass of the proletariat and the productivity of its labour, the greater is the industrial reserve army. The same causes which develop the expansive power of capital, also develop the labour-power at its disposal. The relative mass of the industrial reserve army thus increases with the potential energy of wealth. **But the greater this reserve army in proportion to the active labour-army, the greater is the mass of a consolidated surplus population, whose misery is in inverse ratio to the amount of torture it has to undergo in the form of labour.** The more extensive, finally, the pauperized sections of the working class and the industrial reserve army, the greater is official pauperism. *This is the absolute genera/law of capitalist accumulation.*” -Marx,

the expense of a broader repressive measures as the bourgeoisie ramps up this New Cold War. These will likely include not only broader national security measures—such as the recent efforts to ban TikTok and the attacks on the First Amendment tied into this ban—but also specific measures targeting the working class, including potentially expanded restrictions on the right to strike in key industries. What’s more, given that the ruling class needs the reactionary union leaders to carry on these policies, they will work to strengthen the power of these misleaders of labor and their control of the working class movement.

In addition to advocating for the expansion of executive power, Lighthizer also argued that Congress must “pass new authority to give the government the power to stop U.S. entities from investing in China except where it is in our interest.” He notes that, “these new powers must include prohibiting any Chinese investment in critical infrastructure or technology serving that infrastructure,” and that “businesses will never do this on their own.” In their recent report of the House Select Committee on the Chinese Communist Party also came to similar conclusions.¹¹¹ This speaks to the contradiction between *the unified interests of the capitalist class as a whole and particular capitalists and corporations*; there will be some major struggles among the ruling class on how to change the U.S.’s trade relationship with China, if it makes sense to decouple, and who will bear the brunt of the economic fallout caused by these changes.

Second, Lighthizer emphasizes that the U.S. must often act unilaterally to preserve U.S. dominance, counter China, and get allied countries in line. He notes that the U.S. has enormous leverage over its allies because of their need to sell goods in the U.S. domestic market. Lighthizer was involved in a number of trade negotiations under the Trump administration, and a tool that the administration consistently used was either imposing unilateral tariffs on allies or threatening to do so. For example, when renegotiating the Korea Free Trade Agreement (KORUS), Trump’s steel and aluminum tariffs put a lot of pressure on the South Korean bourgeoisie, and made them much more willing to make concessions in exchange for relief on these tariffs. Similar tactics were used in trade negotiations with Japan.

Third, Lighthizer argues that the U.S. needs to significantly alter import laws. This includes crafting uniform standards for quality and “socially necessary policies” such as environmental protection and labor laws. In the event that trade partners do not comply with these standards, the U.S. would then apply duties to their imports to combat the “unfair advantage” these countries would otherwise gain from cheaper labor or not having to comply with environmental regulations. This, in effect, is a form of hidden tariffs akin to what the EU does to protect their market from foreign commodities.

This would allow the U.S. bourgeoisie much greater flexibility to rapidly and selectively apply tariffs to key commodities from another country. This could be used in various ways. For example, the ruling class could cry foul about human rights violations in China, and then jack up duties to protect an industry being outcompeted in the domestic market by Chinese products.

Capital: Volume 1, p. 798. Bolded emphasis is mine.

Therefore it should also be remember that any reindustrialization effort, will only temporarily increase the number of jobs and, therefore, only temporarily decrease the size of the reserve army of labor. Insofar as this reindustrialization facilitates the self-valorization of capital and the concentration of capital, it will therefore inevitably eventually increase the size of the surplus population. This is all the more true insofar as the reindustrialization will likely produce a massive glut of goods which cannot be profitably sold, much like the rapid expansion of production in the U.S. in the 1920s did. If reindustrialization leads to a boom well above and beyond the typical expansion in the boom phase of the industrial cycle, the resulting glut would likely amplify the next economic crisis and the resulting in even larger mass unemployment.

111 In particular, they noted “the United States no longer maintains some of the key tools that were once available to protect itself against the distortions from non-market economies. Hearing witnesses encouraged Congress to rebuild that toolkit.” <https://selectcommitteeontheccp.house.gov/sites/evo-subsites/selectcommitteeontheccp.house.gov/files/evo-media-document/reset-prevent-build-scc-report.pdf>

Alternatively, they could threaten to impose these duties on products from India unless the Indian companies replace their energy sources with U.S. “green” technology.

One particularly important aspect of Lighthizer’s proposed changes to import laws is to either alter or eliminate the *de minimis* value law for imports, which is an example of the broader loopholes in the present U.S. duties system.¹¹² This law is a threshold below which imports are not subject to duties; it is currently set at \$800. This law was originally designed to allow U.S. travelers to bring back to the U.S. some small goods they purchased overseas without having to declare the goods or pay duties on them. This was meant to allow individuals, not companies, to import small amounts of goods duty-free. However, with the rise of e-commerce, *de minimis* has become an enormous trade loophole and allows companies to not only evade tariffs but also avoid even reporting the exact amount and nature of their imports. This is due, in part, to the Trade Facilitation and Trade Enforcement Act of 2015, which increased the threshold of duty-free access from \$200 to \$800.

Lighthizer notes that:

The businesses that lobbied for the change had very different intentions. They were massive importers such as Amazon and shipping companies such as UPS and FedEx. They built their entire business plan around this tax dodge.

Of course, this increase in the *de minimis* threshold came at the same time that the already large e-commerce market began its exponential growth. As a result of this change, billions of dollars of imports now come into our country duty-free and largely uncontrolled. We went from importing a few thousand packages a year to bringing in more than two million a day. Official estimates of the cost of this loophole don’t exist. It has been reported that *de minimis* imports soared from \$40 million in 2012 to \$67 billion in 2020. Considering company reports from Amazon and other large importers, the Washington think tank Coalition for a Prosperous America estimated *de minimis* imports in 2021 at \$128 billion, adding about 4.5 percent to our annual total goods imports.

Companies such as Amazon and Alibaba worked with businesses in countries around the world (but mostly in China) to avoid our duties and import a massive amount of goods under the *de minimis* threshold (by breaking out the shipments from abroad into direct mail to individual consumers under \$800 each). This threatens our manufacturers. Almost all the Chinese products ordered from these online sources use this loophole. They are each set up as individual sales to a single customer, although in reality the importer is moving a massive amount of products across the border each day. Every one of us participates in this hustle every week.

The effects of this for our economy are serious. If one buys a sweater from a store, for example, that store must pay applicable duties and fill out necessary customs forms. If the same sweater is bought online, all this is avoided. We have essentially given every

112 Lighthizer is not alone in noting the threat to the U.S. bourgeois that this tariff exemption poses. The House Select Committee on the Strategic Competition between the United States and the Chinese Communist Party also highlighted this exemption in their report titled, *Resent, Prevent, Build: A Strategy to Win America’s Economic Competition with the Chinese Communist Party*. In particular they suggested that Congress should: “Pass legislation amending the Tariff Act of 1930 to reduce the *de minimis* threshold for duty-free shipments into the United States with particular focus on foreign adversaries including the PRC. Congress should also direct CBP to strengthen its enforcement against transshipments from the PRC into the U.S. market using the *de minimis* rule, as it cannot adequately scrutinize goods sent to the United States from the PRC for concerns about forced labor under current *de minimis* rules.”

<https://selectcommitteeontheccp.house.gov/sites/evo-subsites/selectcommitteeontheccp.house.gov/files/evo-media-document/reset-prevent-build-scc-report.pdf>, p. 13.

country an FTA and done it without demanding any reciprocity—a free giveaway of our jobs and wealth. And, of course, by far the biggest beneficiary has been China.¹¹³

Lighthizer goes on to suggest that the *de minimis* exemption could be eliminated for “non-market” economies like China, but not for allied countries like Japan. This would be a compromise solution, leaving the loophole open for companies, so long as they are not using it to import Chinese commodities duty free. However, this, in turn, raises questions of if Chinese commodities will be sold to another countries and then flow to the U.S. to avoid any change in the law which selectively targets Chinese goods. This example gives a sense of some of the struggles within the bourgeoisie over how to transform, or not, U.S. laws and regulations and how much it makes sense to shift to Neomercantilism. It also gives a sense of how certain regulatory loopholes that were created throughout the Neoliberal period (even its terminal phase) are still key to many major U.S. corporations profits, even those these same regulatory loopholes seriously hinder the ability of the bourgeoisie *as a class* to carry out strategic objectives and wage struggle against its largest imperialist rival. These sort of divisions and contradictory interests are a major reason why the U.S. bourgeoisie has struggled for decades to come to a unified policy for containing the rise of China, despite the fact that the writing has been on the wall that China was rapidly becoming a peer competitor with the U.S. empire.

Fourth, Lighthizer argues that there is a need to subsidize crucial industries, especially in robotics, AI, advanced materials, semiconductors, and “other industries of the future.” Lighthizer acknowledges that “manufacturers in the United States cannot prevail when competing against foreign firms that are buoyed by a trillion dollars of subsidies flowing not just from Communist China but also from Europe, Korea, and Japan.”¹¹⁴ In his view, this is a matter of national security, indicating that, should Trump win, his new administration will consider using various executive powers related to national security to quickly push through a number of measures and circumvent Congress in key ways. This will be contingent to some degree on what sort of mandate Trump has if he wins the Election.

For example, if he wins in a landslide and Republicans win a majority on the House and Senate, then Trump will likely go through Congress for some measures. Even in this situation, the increasing emphasis on the intrinsic link between national security and economic policy indicates that an even more repressive environment domestically will be in order, especially with Trump’s related focus on crime and immigration. That being said, it is unclear if this will be so different than what has occurred thus far under the Biden-Harris administration, in terms of ratcheting up domestic repression. After all, it was the Democratic Governor of New York, Kathy Hochul who fairly recently sent 750 National Guardsmen into the New York City subway system. Likewise, the Biden-Harris administration has aggressively pursued the TikTok ban and related restrictions on free speech.

Aside from the national security question, these subsidies will be incredibly expensive. As noted above, the \$52 billion in subsidies for the semiconductor industry provided by the CHIPS and Science Act is woefully insufficient. Given that federal debt and deficits are projected to increase significantly in coming years,¹¹⁵ massive subsidies will be incredibly costly for the people in the U.S., the working class in particular. Lighthizer and Trump have indicated that they want to

113 Robert Lighthizer, *No Trade is Free: Changing Course, Taking on China, and Helping America’s Workers*, p. 305-306.

These remarks help to clarify some sections of the U.S. bourgeoisie which will more opposed to strategic decoupling with China. In particular, it seems some key logistics and e-commerce companies, such as Amazon and UPS have a strong vested interest in continuing and expanding trade with China. In contrast, some domestic retailers may be more likely to support decoupling. On the other hand, domestic retailers and U.S. commercial capitalists more broadly, are still highly dependent on cheap imports from China.

114 Robert Lighthizer, *No Trade is Free: Changing Course, Taking on China, and Helping America’s Workers*, p. 316-317.

115 <https://www.cbo.gov/publication/59711>

further cut corporate tax-rates in the U.S., meaning that these subsidies will have to be paid for by a combination of tariffs (which will likely only make up a small portion of federal revenue), higher taxes on the people, and inflationary monetary policy which monetizes the debt.

Reindustrialization itself will also be inflationary. First, because any economic boom and expanded reproduction is initially inflationary¹¹⁶ before the deflationary impact of a higher overall organic composition of capital sets in. Second, because the higher cost of labor-power, raw materials, and construction in the U.S. compared to China means that the prices of commodities produced in the U.S. tend to be higher than those produced in China. During inflationary periods, wages rarely ever rise faster than inflation. Given the high and persistent inflation in recent years, polls show that people generally feel that the pain of higher inflation is not offset by any potential benefits from new factory openings.¹¹⁷

Fifth, Lighthizer argues that the U.S. must achieve balanced trade through eliminating (or at least drastically reducing) trade deficits. He argues that tariffs are the best way to do this. In reality, it seems unlikely that the U.S. bourgeoisie would want to reduce deficits overall. The actual approach they pursue will likely be much more targeted and aimed at reducing the U.S. trade deficit with China in particular. Likewise, a new Trump administration would look to reduce the trade deficit not by reducing imports across the board (they will need to increase imports from some countries to compensate for the reduction in trade with China), but also through increasing exports (for example of batteries, cars, and semiconductors).

On the question of reducing trade deficits, the USMCA provides some insight into how U.S. trade will likely change with many allied countries. Lighthizer played a leading role in crafting this trade agreement and it has led to a massive increase in U.S. trade with Mexico, but has also *significantly expanded the U.S.'s trade deficit with Mexico*. This deficit has ballooned from \$77.7 billion in 2018, when the deal was signed, to \$152.4 billion in 2023. It is likely to continue to expand in coming years as the U.S. bourgeoisie works to friendshore more production from China to Mexico. However, this trade deal was negotiated, among other things, with an eye to ensuring that a big portion of the new factories for the automobile industry and high technology would be built in the U.S., and not in Mexico. Additionally, the USMCA aimed to reconfigure key aspects of the relationship between the U.S. and Mexico, to make Mexico an even more important country for U.S. capital export, but in a way that did not undermine the ability of the bourgeoisie to simultaneously pursue various Neomercantilist policies at home. If NAFTA was the paradigmatic trade agreement for the Neoliberal era, USMCA is the harbinger of future Neomercantilist deals, especially with oppressed countries.

Speaking more broadly, any major reduction of the U.S. trade deficit would lead to serious issues in the international USD markets. Insofar as the USD is the world reserve currency, the U.S. needs to maintain a large current account (the sum total of imports and exports as well as international transfers of capital) deficit. Insofar as the U.S. runs both large trade deficits and big fiscal deficits, and insofar as a large portion of U.S. government debt is bought by foreign entities (governments, individual investors, and corporations), the U.S. is putting out a lot more dollars into the world market than it is taking back in. This is essential if global trade is to remain USD-denominated, otherwise there will not be a sufficient supply of dollars to facilitate international trade. Since the end of WWII, there has arisen a large non-U.S. based market for USD loans (given that many countries and companies have USD-denominated financing needs). This market is known as the Eurodollar market and is estimated to be somewhere between \$40-60 trillion in value. It underlies a huge portion of the global financial system and global trade.¹¹⁸

116 During the boom stage of the industrial cycle, the prices of commodities tend to rise above their prices of production. The longer the boom is sustained, the higher they rise above their prices of production.

117 <https://archive.is/wDTZb>

118 For example, when India imports oil, it often pays for it in USD. But the Indian government obviously cannot print USD. Therefore, in order pay for USD-denominated imports, Indian companies often get USD-denominated loans from the Eurodollar market.

Eliminating the trade deficit would seriously undermine the USD's status as the world reserve currency. The U.S. would simply stop putting out into the world economy sufficient USD to allow such a large share of global trade to be denominated in USD. This would have major consequences for the U.S. economy, including potentially leading to massive inflation.¹¹⁹ It is unlikely that the Trump administration would actually push for an end to the USD's status as the world reserve currency. On the other hand, Lighthizer often draws on the work of economist Michael Pettis, who recently published an influential piece for the Carnegie Endowment for International Peace, in which he argues that the USD's status as the world reserve currency is harmful to the U.S. economy and the interests of the U.S. ruling class.¹²⁰ Lighthizer cited this piece in his own recent article in *The Economist*.¹²¹ Therefore, while unlikely, *it is possible* that a growing section of the U.S. ruling class will decide that Neomercantilism requires the U.S. to give up the Dollar's status as the world reserve currency. How exactly they would accomplish this remains unclear, and any such change is likely a long ways off, but it is a development which bears watching closely in the coming years.

After outlining his five-point plan, Lighthizer goes on to state,

The policy agenda I have set forth above is, admittedly, quite ambitious. And I do not propose that Congress implement it immediately. It will have to be done carefully over a period of time. The most urgent priority should be strategic decoupling from China. I also believe that the United States should phase in a mechanism to ensure balanced trade and ideally do it in conjunction with our allies if that is possible. The historic Plaza Accords of the 1980s, which resulted in France, Germany, Japan, and the United Kingdom's agreeing to devalue the US dollar relative to their currencies (among other measures) to address trade imbalances, set a precedent for this kind of significant negotiation among American allies to address unfair global practices' making America's participation in the previous regime untenable.

On the one hand, Lighthizer is right to note that this policy agenda is ambitious. It is far more than the Biden-Harris administration has done so far or will do if Harris is elected. However, on the other hand, it is far from a systematic plan to remake the world imperialist system. It is no "New Bretton Woods System." Actually, in this sense, the parallels he makes with the Plaza Accords is quite apt. These accords were adopted during the Reagan administration.

In the wake of the Volcker Shock, the USD not only stabilized but strengthened significantly relative to other countries' currencies.¹²² This, in turn began to jeopardize U.S. trade, because the relatively strong Dollar was contributing to the growing deficit (encouraging imports and discouraging exports). Under the Plaza Accords—agreed upon on September 22, 1985 between the U.S., France, West Germany, Japan, and the U.K. at the Plaza Hotel in New York City—these U.S. allies allowed their currencies appreciate relative to the Dollar, and thus helped to stop the growth of the U.S. trade deficit. This was a patchwork solution to problems created by a patchwork solution—closing the Gold Window—to the problems that had arisen in the Bretton Woods system.

What Lighthizer, one of the more objective and intelligent members of the bourgeoisie, is proposing, is yet another patchwork fix. This is not because of Lighthizer's particular subjectivisms, but rather a reflection of the reality that the U.S. ruling class is not in a position—

119 On the other hand, large current account deficits undermine the trust of commodity holders in the USD's stability and the authority of the Federal Reserve, which issues it. This, in turn, also leads to inflation in the long run. See the above footnote on the Triffin Dilemma.

120 <https://carnegieendowment.org/chinafinancialmarkets/91738>

121 <https://www.economist.com/by-invitation/2024/03/08/donald-trumps-former-trade-chief-makes-the-case-for-more-tariffs>

122 Relative to gold, the Dollar still remained incredibly weak, and while it fell from highs around \$850/ounce, it never returned to anywhere close to the former \$35/ounce price. Instead, it remained over \$300/ounce in this period.

domestically or internationally—to put forward a comprehensive plan to fundamentally remake the world imperialist system in their interests. The closest thing they have proposed in the past several decades was the TPP, which was based on the extremely naive assumption that China could be reduced to a satellite imperialist power.

f) Trump and the Unions

Trump is already very popular among the rank-and-file of many unions. For example, a recent poll showed that in key swing states such as Arizona, Georgia, Michigan, Nevada, Pennsylvania and Wisconsin, Biden and Trump were even in support among union members, tied at 47% each.¹²³ Support for Democratic candidates has been declining among unions members for decades. Now, Trump stands poised not only to grab a key segment of union voters, but also to potentially win support of a significant number of unions themselves. This will be key not only to his election, but also to his Neomercantilist policies and plans for reindustrialization.

Trump has had a number of meetings with Teamster’s leadership. He has made overtures to UAW membership and the US Steel Workers (USW) members and leaders. Trump also has a good chance of winning significant support, and perhaps the endorsement of the building trades unions and the International Longshoremen’s Association (ILA).¹²⁴ The later is the union which represents workers in most East Coast ports, which is quite reactionary, and has a long-history of mafia connections.¹²⁵ The ILA union leadership’s rhetoric around their recent strike framed their struggle in terms of opposition to “foreign-owned companies” pushing for automation. This speaks to the compatibility of Trump’s right wing populism and “anti-globalist” rhetoric with the views of a section of the reactionary union leadership. It remains unclear how effectively this ideology can be spread among the organized section of the working-class as a whole.

A certain historical parallel can be made to the situation to Nixon’s deal with the building trades unions and ILA in 1970. He gave them assurances that he would oppose the opening up of their trade unions to black and Hispanic workers. In exchange, they attacked Vietnam War protestors in what was known as the Hard Hat Riot. After this riot, Nixon invited the leaders of these unions to Washington D.C. and accepted a hard hat from them. These unions strongly supported Nixon’s 1972 reelection campaign, and after winning, Nixon appointed Peter Brennan, the then President of the Building and Construction Trades Council of Greater New York, as his Secretary of Labor. Trump is no doubt aware of this history and his recent maneuvers show that he has been working to win similar support from these very same unions today.

The building trades in particular will be very important to reindustrialization efforts. These unions are already angry at Biden and Harris for allowing TSMC to bring in non-union workers from Taiwan to construct their new fab in Arizona, among other things.¹²⁶ The ILA and the

123 <https://www.cnn.com/2024/01/31/politics/union-voters-election-trump-biden/index.html>

124 ILA president, Harold Daggett, has a long-standing relationship with Trump:

<https://www.cnn.com/2024/10/03/business/port-strike-ila-president-harold-daggett/index.html>
<https://ilaunion.org/ila-president-harold-daggett-asks-ila-members-to-pray-for-former-president-donald-trump-and-victims-at-saturdays-pennsylvania-rally-recalls-productive-meeting-last-november-with-trump/>

125 <https://www.thecity.nyc/2023/05/08/waterfront-commission-new-jersey-mob-genovese/>

126 The recent debacle in the construction of TSMC’s new state of the art semiconductor fab in Arizona is an important case study in the challenges the bourgeoisie is facing in reshoring production. This plant is set to cost around \$40 billion to construct and was supposed to be completed by the end of 2024. However, the plant has faced numerous setbacks and delays in construction, supposedly due to the lack of skilled labor. Unions have protested the construction site as TSMC has brought in Taiwanese workers after using some non-union and unskilled workers in the U.S. However, TSMC and other companies do face some objective challenges in that construction and labor costs are much higher in the U.S. than in Taiwan. This means without sufficient government subsidies, their fabs in the U.S. will not be profitable or globally competitive. All of this suggests that the U.S. bourgeoisie will need to be much more aggressive in their Neomercantilist policies to ensure a real revival of domestic industrial

building trades will likely be the easiest unions for Trump to win support from. Trump made a populist statement in support of the ILA workers when they were on strike, noting “American workers should be able to negotiate for better wages, especially since the shipping companies are mostly foreign flag vessels, including the largest consortium ONE.”¹²⁷ This was in line with his rhetoric of protecting American workers from “globalist” corporations.

While he did not win an endorsement from the IBT leadership, Trump was popular enough among their membership that the union did not endorse Harris either. Trump has also been maneuvering to win support from more UAW members, by promising to be extremely aggressive in stopping any importation of Chinese cars into the U.S. market.¹²⁸ These promises are also aimed at securing the support of USW and many industrial capitalists, given that the domestic auto industry is a big source of the economic demand for steel.

Of course, Trump’s support of the unions is no more indicative of a progressive politics than Biden’s or Harris’. These are simply the reactionary maneuvers of a ruling class politician seeking to win the support of the unions to further his election campaign and to aid in his broader plans to secure the continued global dominance of U.S. imperialism. However, Trump’s more aggressive courtship of the unions will likely create a number of openings for the working class movement.

First and foremost, insofar as he breaks the long-standing monopoly of union support that the Democrats have had, it will help to erode the narrative that each election those who support the labor movement must vote Democrat, lest a Republican get elected and roll back various labor laws. Insofar as the Republican candidates need to court the unions to ensure their electoral viability, they will no longer be able to run on a platform of explicit anti-unionism. This, in turn, will open up more room to fight for the independent political action of the working class, as for decades the mantra of many has been that “now is not the time to break with the Democrats as the risk is to great.”

Second, insofar as the Republicans also need the unions to win elections *and for reindustrialization*, there will be various concessions made to the unions, including potentially overturning things like right-to-work in some states. Given how much investment for reindustrialization has already flowed into Red states and right-to-work states, some concessions in this respect seem inevitable if the Republicans in particular, and the ruling class more broadly, hope to maintain support from the union leadership. While these changes will likely be relatively minor, and will be aimed at keeping the working class movement in line, they will objectively provide some new openings for the movement, provided that we understand them and can seize upon them.

g) Trump, Neo-Nativism, and the Question of Immigration

As noted above, Neomercantilism is not just an economic and political policy, it is also an ideology. This ideology, much like Neoliberalism, has to be sold to the public and win, at least to some degree, popular support if the ruling class is going to be able to push through major structural transformations to the U.S. economically, politically, and socially. During the rise of Neoliberalism, Milton Friedman and others were able to stoke public outrage against “big

production. Only if they do this will they be able to ensure that they can meet the significant increase in demand for skilled labor to construct and operate these factories and keep the union leadership happy while keeping businesses competitive in the international market.

<https://arstechnica.com/tech-policy/2023/07/tsmc-delays-us-chip-fab-opening-says-us-talent-is-insufficient> <https://prospect.org/labor/2023-07-19-tsmc-phoenix-cuts-electrician-pay/>

127 <https://www.msn.com/en-us/news/world/harris-trump-take-an-america-first-tone-on-dockworkers-strike/ar-AA1rBCd0>

Interestingly, Kamala struck a similar tune in her statement: “Foreign-owned shipping companies have made record profits and executive compensation has grown[...] The Longshoremen, who play a vital role transporting essential goods across America, deserve a fair share of these record profits.”

128 <https://www.compactmag.com/article/trump-is-right-about-the-auto-bloodbath/>

government” (even while the U.S. government grew ever larger and more bloated), “welfare queens,” corrupt unions, and more. This provided ideological cover and support for austerity, outsourcing, and deregulation, among other things.

A comprehensive analysis of the different ideological trends that are being promoted with Neomercantilism is outside of the scope of this article—especially because the U.S. ruling class is still experimenting with different ideological formations—however it is necessary to offer some provisional remarks. Above it was already noted how both parties have been courting the unions and somewhat amenable to framing the working class struggle as between American workers and foreign corporations. This is but a small part of the larger picture and greater ideological shift happening as part of the transformation of the form of bourgeois class rule in the U.S.

One key part of the ideological shift taking place right now concerns immigration. A big part of the Trump campaign has been the focus on the situation at the border and the large increases in the number of migrants that have been entering the U.S. since the Biden administration took office. Trump has, of course, framed this issue in xenophobic terms, and helped to whip up anti-immigrant sentiment. Sensationalist media stories pointing to crimes committed by migrants and asylum seekers have likewise contributed to this sentiment, but given that there are tens of millions of undocumented people in the U.S. is it really any surprise that a few of them have committed crimes, even violent ones? The stories around this topic seek to depict migrants and undocumented people as violent criminals disrupting an otherwise peaceful U.S. society, but given the social upheaval and long-standing issues in U.S. society (e.g. school shootings, violent crime, state-sponsored drug trade, etc.) it requires a severe case of historical amnesia to believe that migrants are the underlying cause of major social issues that have plagued the U.S. for decades.

It is important to note that, while some of Trump’s messaging around immigration is in line with typical white supremacist ideology, it is not reducible to this. In fact, Trump’s surging popularity with black and Hispanic voters speaks to this,¹²⁹ as do the spate of recent anti-immigrant attacks carried out by non-white people.

Trump is really promoting a form of neo-nativist ideology which has a not insignificant resonance with a subsection of black people as well as Hispanics with legal status in the U.S. In the former case, a lot of right-wing media has focused on how the Biden-Harris administration is supposedly providing so many resources to migrants, while not providing much to black citizens.¹³⁰ Of course, most of the funding to house, feed, and provide for migrants goes not to the migrants themselves—who often live in extremely meager conditions, like the massive tents set up in New York City¹³¹—but rather to various non-profits and “poverty pimp” institutions.

There has long been a growing anti-undocumented sentiment among a segment of Hispanics with legal status. This is influenced by various factors, but of particular importance among Mexican-Americans is the *Frontera Sur* policy enacted by the Obama administration, which has led to Mexico playing a much more aggressive role in detaining migrants from other countries in Mexico, who are heading to the U.S. The Mexican media and bourgeoisie (in conjunction with the U.S. bourgeoisie) has worked to whip up anti-migrant sentiment in Mexico itself, with sensationalist news stories and viral WhatsApp messages. These include stories about migrants committing crimes and being disruptive, but also stories about them being rude, rejecting

129 c.f. <https://www.nytimes.com/2024/03/14/us/politics/trump-biden-campaign-latino-voters.html> and <https://www.washingtonpost.com/politics/2023/09/19/trump-poll-support-black-hispanic/>

130 Likewise, there are fairly sophisticated social media efforts to promote these views.

131 Some migrants have recently been moved into “micro apartments” that are often under 200 square feet. These new forms of tenement houses and single room occupancies (SROs) are reemerging in cities across the country. This is being framed as a progressive development to help with the supposed housing shortage. In reality, it often involves the rollback of various safety regulations for apartments, and funnels large amounts of money to real estate developers. <https://fortune.com/2024/03/21/one-room-180-sq-ft-micro-apartments-affordable-housing-shortage-sparks-crisis/>

Mexican food offered to them by “good samaritans” in Mexico, and more. All of this, of course, has negatively impacted the views of some Mexican-Americans on migrants from South and Central America.¹³²

All of this has been a fairly sophisticated, and relatively successful, psy-op to promote anti-migrant sentiment among segments of the population which historically were the targets of nativist outrage and riots. Of course, it is still a minority of both the black and Hispanic population (and also the white population), which supports this neo-nativism. However, the growing popularity of this ideology is a trend that has to be understood and struggled against. It is not sufficient or even very accurate to argue that this ideology is a form of white supremacy, and attempts to frame it as such will only impede our ability to struggle against its manifestations among the proletariat.

Neo-nativism it is a reactionary ideology and does involve elements of racism. And, of course, Trump does promote overt racism at times (generally in a dog-whistle fashion). Trump also draws support from white supremacists, although they are only a small subsection of his base. Their vile racist ideology needs to be struggled against as well. However, it is only by properly understanding the particularity and differences of different xenophobic and reactionary ideologies that communists can properly struggle against them. Fusing them all into one will inevitably leave us with a caricatured understanding which is woefully insufficient for actually combatting various reactionary ideologies *as they actually exist*.

Neo-nativism is not the same as old-style KKK racism, or even the “new” racism of people like Richard Spencer and other explicitly white supremacist figures of the alt-right. It is a distinct xenophobic populist ideology which is actually far more flexible than these more openly racist ideologies. Neo-nativism is only able to take the form of a populist politics because it does, on the surface, oppose some aspects of particular ruling class policies that are not in the interests of the proletariat and popular masses.¹³³ Of course, the manner in which neo-nativist ideology opposes these policies does not serve the proletariat or popular masses. On the contrary, it funnels their outrage into support for a section of the ruling class.

Neo-nativist ideology has largely rallied people around opposition to mass immigration, especially of those migrants who are undocumented or have a semi-documented refugee status. The mass influxes of migrants into the U.S. is not an accident, but a conscious policy of a section of the bourgeoisie, aimed at breaking the revival of the working class movement in this country and cheapening the cost of labor-power to aid in the reindustrialization of the country.

Members of the ruling class have actually been fairly explicit about this. For example, in a recent *Sixty Minutes* interview, Chairman of the Federal Reserve Board, Jerome Powell was asked by

132 The 2001 song *Tres Veces Mojado* by the Mexican norteño band Los Tigres del Norte describes some of these contradictions in lyrical form:

“Cuando me vine de mi tierra El Salvador// Con la intención de llegar a Estados Unidos// Sabía que necesitaría más que valor// Sabía que a lo mejor quedaba en el camino

“Son tres fronteras las que tuve que cruzar// Por tres países anduve indocumentado// Tres veces tuve yo la vida que arriesgar// Por eso dicen que soy tres veces mojado

“En Guatemala y México cuando crucé// Dos veces me salvé me hicieran prisionero// El mismo idioma y el color reflexioné// ¿Cómo es posible que me llamen extranjero? [...]

“Por Arizona me dijeron “cruzarás”// Y que me aviento por el medio del desierto// Por suerte un mexicano al que llamaban Juan// Me dio la mano, que si no estuviera muerto”

The song is about the journey of a Salvadorian migrant to the U.S. It highlights, on the one hand, some discrimination that the Salvadorian migrants face in Guatemala and Mexico, but how also, later in his journey, the same migrant also has his life saved by a Mexican when crossing into the U.S.

133 This is much like Neoliberalism gained support from “Reagan Democrats” in the early 1980s because they were fed up with corruption and decadence in the government and liberal hypocrisy. Various sections of the ruling class were able to offer some correct criticism of these issues and funnel popular outrage into support for Neoliberal austerity measures.

host Scott Pelley why immigration is so important. The transcript of the interview on this point is particularly revealing.

Powell: Because, you know, immigrants come in, and they tend to work at a rate that is at or above that for non-immigrants. Immigrants who come to the country tend to be in the workforce at a slightly higher level than native Americans do. But that's largely because of the age difference. They tend to skew younger.

Pelley: Why is immigration so important to the economy?

Powell: Well, first of all, immigration policy is not the Fed's job. The immigration policy of the United States is really important and really much under discussion right now, and that's none of our business. We don't set immigration policy. We don't comment on it. I will say, over time, though, the U.S. economy has benefited from immigration. And, frankly, just in the last, year a big part of the story of the labor market coming back into better balance is immigration returning to levels that were more typical of the pre-pandemic era.

Pelley: The country needed the workers.

Powell: It did. And so, that's what's been happening.¹³⁴

When Powell speaks of “the story of the labor market coming back into better balance,” what he means is that immigration helped to increase competition among the working class to sufficient degree to curb workers ability to demand higher wages, and to likewise prevent the working class movement from developing into something more militant and politically conscious. These comments reveal how a significant section of the bourgeoisie has been thinking about immigration. They also clarify the way in which petty-bourgeois liberals act as useful idiots for the capitalists, by blind supporting unrestricted immigration without realizing that, under the prevailing capitalist relations of production, mass importation of foreign workers will inevitably increase the competition among the working class, weakening their power as a class *and* will inevitably give rise to some reaction xenophobic tendencies among the proletariat, as their empiricism causes them to mis-identify the poor immigrants as their enemies and not the capitalist class. These liberals cannot conceive of how it is possible to oppose this capitalist scheme to weaken the working class movement without falling into the trap of xenophobia and demonizing poor migrants.

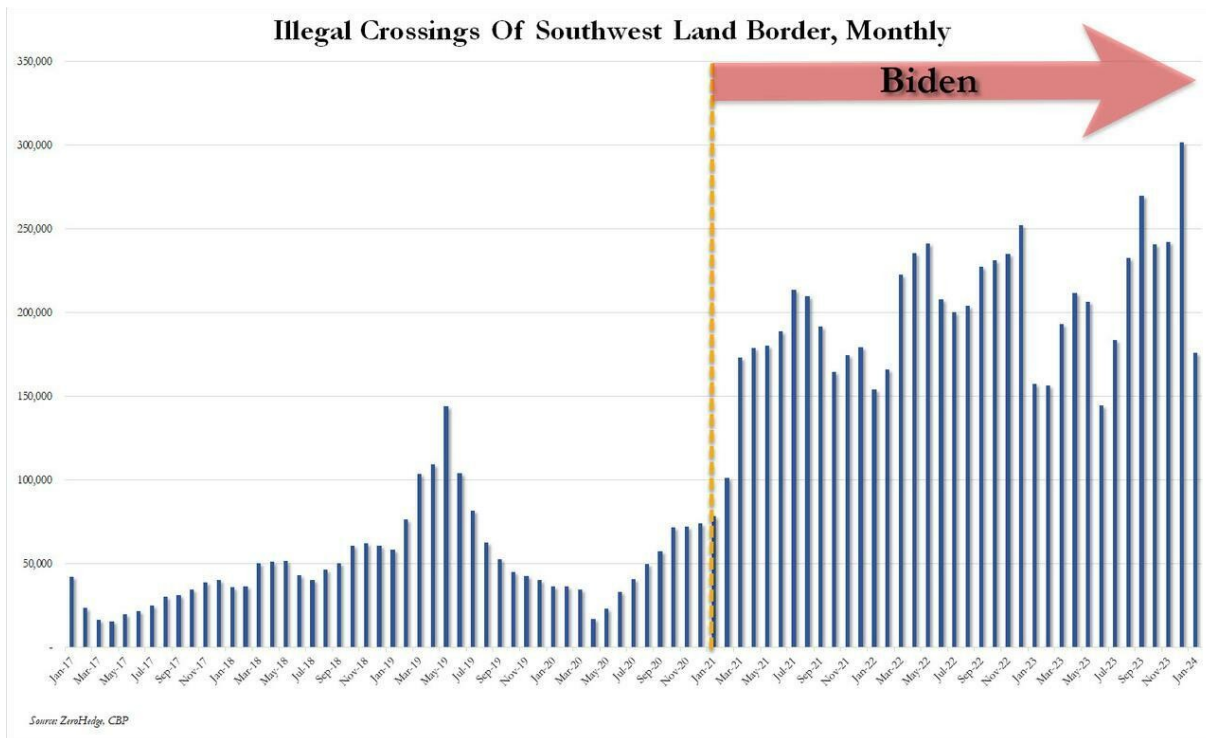
Since Biden's inauguration, which roughly coincided with the beginning of the post-Covid boom and the related inflation, million of immigrants and asylum seekers have come into the country. According to official statistics, between Biden's inauguration and October, 2023, around 2.5 million people who tried to cross the Southern Border illegally were released into the U.S. after being detained.¹³⁵ It is estimated that another 1.6 million people entered the U.S. by evading authorities all together.¹³⁶ This puts the number of new migrants in the U.S. at at least 4.1 million, although some estimates of the real number are significantly higher.

Figure 1.1 shows how much illegal border crossings have increased since Biden took office. Note that over half of the people caught crossing the border illegally were generally deported in this period.

134 <https://www.cbsnews.com/news/full-transcript-fed-chair-jerome-powell-60-minutes-interview-economy/>

135 People who are released into the U.S. in this fashion are awaiting their asylum hearings and live in extremely precarious and uncertain conditions. This makes them particularly vulnerable to various forms of predation from the capitalist class, as they risk deportation over the slightest infraction. This is particularly true of those migrants who legal status in this country is tied to their employment.

136 <https://www.factcheck.org/2024/02/breaking-down-the-immigration-figures/>



What's more the Biden administration has taken various steps to make it easier for migrants to work in the U.S., as part of their policy of mass importation of workers. For example, in his first year in office, Biden expanded eligibility for Temporary Protected Status (TPS), making around 1 million more noncitizens eligible for this status and thereby allowing them to work in the U.S.¹³⁷ In December 2022, U.S. Department of State's Bureau of Population, Refugees, and Migration (PRM) and Tent Partnership for Refugees (Tent) signed a Memorandum of Understanding (MOU) which announced a public-private partnership to get refugees jobs in the U.S.

Tent is a non-profit that has a network of over 300 major corporations which hire refugees. These include companies like Coca-Cola, Starbucks, Pfizer, Amazon, Adidas, Google, and many more. This MOU helped to rapidly place migrants and asylum seekers in job openings at these major companies by facilitating closer coordination between the state and these companies. This has helped the state more scientifically understand how many migrants should be given authorization to work to fill various openings in these corporations. In December, 2023, the Biden administration increased the period for which asylum seekers could work, to up to five years, while their cases are pending.¹³⁸

All of this has led to a massive influx of migrants into the U.S. labor force. Tyson Foods recent hiring of migrants provides an important exposure of what companies have been doing and how

137 <https://www.migrationpolicy.org/news/biden-executive-actions-immigration-first-year>. While TPS has some progressive aspects, it is a short-lived status for migrants which allows them to legally reside in the U.S. and work for a short period of time (generally between six and eighteen months). After TPS for their countries expires, migrants can be easily deported. On the other hand, workers who have TPS are a significant part of the U.S. economy, indicating how critical this status is for the bourgeoisie and their profits. One 2017 study showed that TPS recipients from just El Salvador, Honduras, and Haiti (amounting to around 300,000 people in total), were expected to contribute around \$45.2 billion to the U.S. GDP over a decade: https://www.ilrc.org/sites/default/files/resources/2017-04-18_economic_contributions_by_salvadoran_honduran_and_haitian_tps_holders.pdf

138 <https://www.uscis.gov/newsroom/alerts/uscis-increases-employment-authorization-document-validity-period-for-certain-categories>

they have been preying on migrants. Tyson recently joined Tents, and has already hired around 42,000 immigrants, many of them migrants. Tyson’s plants are typically very unsafe, have unsanitary working conditions, and generally have very high turnover rates. The company has come under investigation in recent years for employing migrant children in their plants.¹³⁹ Speaking on migrants more broadly, Garrett Dolan, who works in HR at Tyson said, “We would like to employ another 42,000 if we could find them.” He expanded on this, stating that, “They’re very, very loyal. They’ve been uprooted and what they want is stability – what they want is a sense of belonging.”¹⁴⁰ Tyson and other companies keep these migrants “loyal” by giving them a few pittance. The migrants also have the threat of deportation constantly hanging over them like a Sword of Damocles.

These developments have had a significant impact on the labor markets in the U.S. For example, while the number of jobs has not only recovered from the Covid crash but grown to new heights, literally all of the growth above pre-Covid employment levels has been because of jobs going to non-U.S. born workers. In contrast, the number of jobs worked by U.S. born workers currently stand at May, 2018 levels, as Figure 1.2 shows.

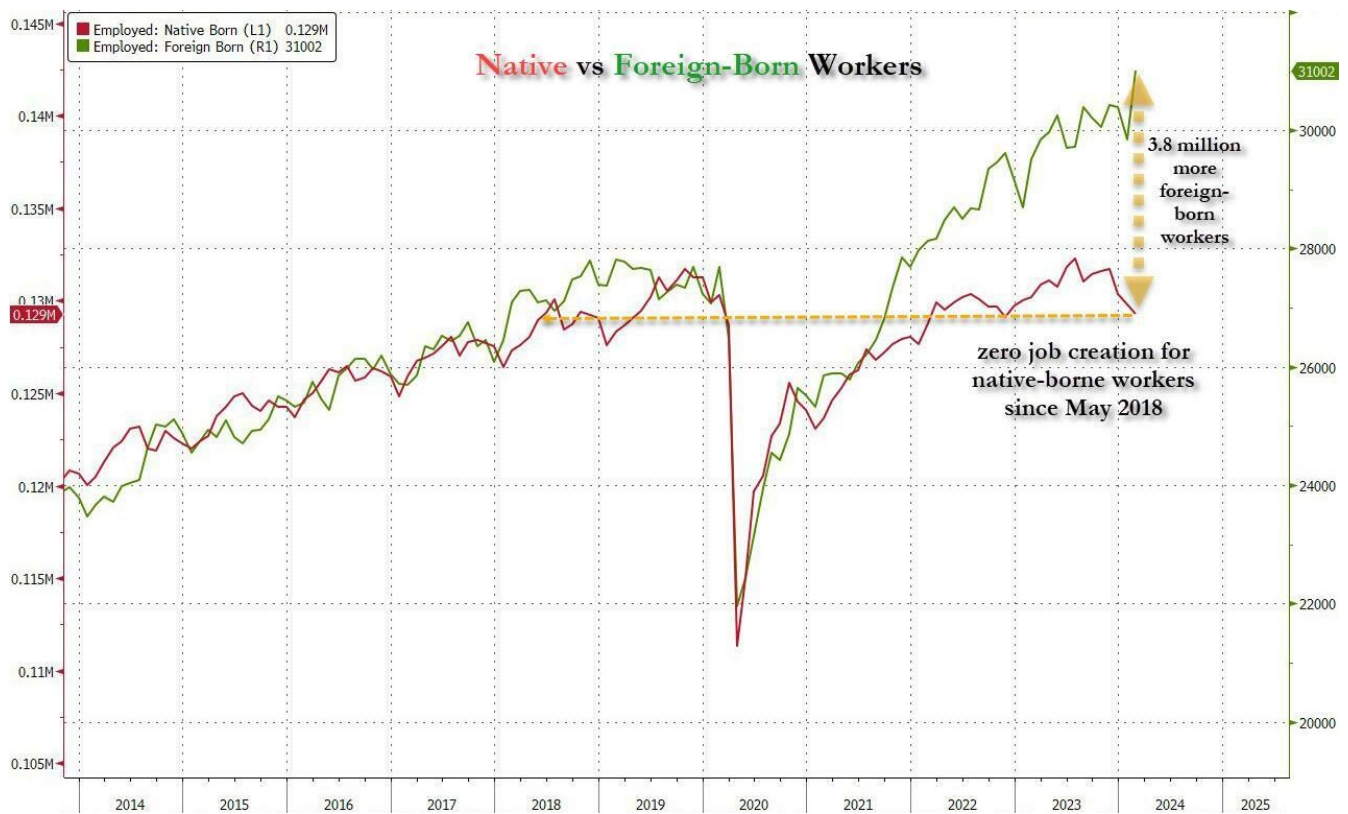


Figure 1.2

In short, the Biden-Harris administration’s much-touted job creation has largely been a growth in employment of migrants, as part of a larger scheme to weaken the working class movement. This increased competition for jobs among the working class has provided a material foundation of the

139 <https://www.cnn.com/2023/09/28/business/tyson-perdue-child-labor-dol-investigation/index.html>

140 <https://www.bloomberg.com/news/articles/2024-03-11/tyson-is-hiring-new-york-immigrants-for-jobs-no-one-else-wants>

Dolan was also very explicit that Tyson did not think many Americans would want to work a manufacturing job. In reality, the long hours, dangerous conditions, and pay which is generally at or barely above minimum wage are the main reasons people don’t want to work in a Tyson plant.

However, his comments are indicative of how the industrial capitalists are thinking about these matters.

ideology of neo-nativism to take root among a subsection of the proletariat. Given this reality, Trump is trying to frame himself as the savior of the country, claiming that he will stop the supposed “invasion” of migrants. Of course, in reality, his support is divided between a section of the bourgeoisie which is trying to capitalize off of popular outrage about the influx of migrants¹⁴¹ and some of the more hard-line right-wing racists who actually do want to mass deport tens of millions of immigrants and possibly even invade Mexico.

While Trump has said that he will carry out mass deportations, it will likely be hard for him to actually carry this out to the extent that he has promised. In fact, the Biden-Harris administration has, on an annualized basis, deported more people than Trump did during his presidency. However, even with these deportations, the administration has still also brought in a huge number of migrants. The issue is that large-scale mass deportations would be extremely unpopular with most major U.S. corporations, and therefore with a large section of the bourgeoisie, given how reliant they presently are on migrant labor *and given that their plans for reindustrialization rely heavily on the use of cheap migrant labor*. Perhaps the plan is to bring back child labor (as a substitute for migrant labor), a step which a number of states have been debating of late.¹⁴²

What Trump could do is step up enforcement, restrict the influx of migrants to some degree, carry out a few mass deportations, and roll out some new repressive measures aimed at migrants. If he wins the Election and comes into office during or shortly after an economic crisis, then the demand for labor-power will have plummeted, and this will make it easier for him to roll out some measures to stop new influxes of migrants, at least temporarily. He could likewise rollback some of Biden’s changes, such as the Federal Government’s partnership with Tent and some of the changes to work authorization for asylum seekers, and thus claim victory without having to deport tens of millions of people, many of whom have been in the U.S. for years, if not decades.

The original nativism of the 19th century arose as a reactionary response to the reactionary policy of the U.S. bourgeoisie importing foreign-born workers to break the strength of the domestic working class movement. It had to be combatted not with naive liberal multiculturalism but rather with proletarian internationalism, which, on the one hand opposed this ruling class policy of importing foreign-born workers, but on the other hand opposed narrow nationalistic nativism and instead emphasized that the workers of the world must unite to smash the power of the capitalist class. The neo-nativism promoted by Trump and others needs to be combatted along similar lines. We must explain to the proletariat both why there are so many refugees and migrants coming to the U.S. (e.g. the economic and political devastation caused by U.S. imperialism and the conscious efforts by the bourgeoisie to bring in migrants) while clarifying that the migrants themselves should not be demonized. We likewise need to clarify how the ruling class aims to scapegoat migrants for various social ills, and in doing so pit different sections of the proletariat and the masses against each other to distract from their shared interests in the revolutionary overthrow of the bourgeoisie.

141 This outrage is not confined to competition of jobs among the working class but also pertains to fears over crime (some real, but a lot based on media sensationalism), anger about issues with the cartels at the border, concerning over drug trafficking, and broader xenophobia. Some subsection of the population is quite taken in by racist theories like “The Great Replacement” while others are incorrectly identifying the migrants themselves as the source of various social ills that plague their lives. It is important to differentiate between those who are consolidated to deeply reactionary and racist views and those who are buying in to some of the scapegoating of migrants, but are not consolidated to these ideologies.

142 For example, in 2023 Sarah Huckabee Sanders, who is currently the Governor of Arkansas and was previously Trump’s Press Secretary, passed a law which removed some restrictions on child labor in the state: <https://www.npr.org/2023/03/10/1162531885/arkansas-child-labor-law-under-16-years-old-sarah-huckabee-sanders>

h) Brief Digression on a Marxist Approach to Fighting the Bourgeoisie's Policy of Mass Importation of Workers

While petty-bourgeois liberals have a long history of being useful idiots for the bourgeoisie, Marxists must do better. Therefore, we can draw on the work of Marx, Engels, and the First International to understand what our approach to the mass importation of foreign workers should be.

Since the bourgeoisie rose to power, they have regularly carried out the mass importation of foreign workers to act as a strike-breakers when the working-class movement grew strong. The First International, under the leadership of Marx and Engels (who headed the General Council), took up a sharp struggle against these bourgeois policies. They did this to strength the working class movement in the country where the strikes were taking place, but also to forge fraternal proletarian internationalist bonds between workers of different countries.

Marx described this approach in an 1871 interview with R. Landor. When Landor asked what sort of aid the International provides to working-class movements around the world. Marx replied:

To give an example, one of the commonest forms of the movement for emancipation is that of strikes. Formerly, when a strike took place in one country, it was defeated by the importation of workmen from another. The International has nearly stopped all that. It receives information of the intended strike, it spreads that information among its members, who at once see that for them the seat of the struggle must be forbidden ground. The masters are thus left alone to reckon with their men. In most cases, the men require no other aid than that. Their own subscriptions, or those of the societies to which they are more immediately affiliated, supply them with funds, but should the pressure upon them become too heavy, and the strike be one of which the Association approves, their necessities are supplied out of the common purse. By these means, a strike of the cigar makers of Barcelona was brought to a victorious issue the other day. But the Society has not interest in strikes, though it supports them under certain conditions. It cannot possibly gain by them in a pecuniary point of view, but it may easily lose. Let us sum it all up in a word. The working classes remain poor amid the increase of wealth, wretched amid the increase of luxury. Their material privation dwarfs their moral as well as their physical stature. They cannot rely on others for a remedy. It has become then with them an imperative necessity to take their own case in hand. They must revive the relations between themselves and the capitalists and landlords, and that means they must transform society. This is the general end of every known workmen's organization; land and labor leagues, trade and friendly societies, co-operative production are but means toward it. To establish a perfect solidarity between these organizations is the business of the International Association. Its influence is beginning to be felt everywhere. Two papers spread its views in Spain, three in Germany, the same number in Austria and in Holland, six in Belgium, and six in Switzerland.¹⁴³

In this reply Marx clarifies a number of important points. First, that the strike movement is supported by opposition to the importation of foreign workers. Second, that this is carried out not only in the country where the strike is taking place, but also (if possible), in the country from which the bourgeoisie hopes to import workers. In this way, the fraternal bonds between the workers of different countries are strengthened. This is particularly important since, in its essence, the proletariat is an international class, and the working class movement of each country is but a detachment of the world proletarian revolution, even if workers of a given country must, first and foremost, settle the score with "their own" bourgeoisie. Promoting this proletarian internationalist perspective is essential today if Marxists are to combat the neo-nativist populist ideologies the U.S. bourgeoisie is increasingly promoting.

143 https://www.marxists.org/archive/marx/bio/media/marx/71_07_18.htm

Finally, Marx also clarifies the end goal of the working class struggle is the transformation of society. He leaves implicit in this interview that he means the revolutionary overthrow of the bourgeoisie and ultimately the establishment of a classless, communist society. But without clarity on this point, the ultimate aim of the working class struggle, it is all too easy for workers to be tricked by one bourgeois charlatan or another who aims to divert the struggle of the proletariat into the dead end of xenophobia and chauvinism. This is typified by Trump's right-wing populism which focuses the anger of the masses broadly, and the proletariat in particular, on a particular section of the bourgeoisie and the state, and thereby convincing them to support him and the bourgeoisie who have lined up behind him.

The meeting minutes of the General Council of the First International are full remarks and statements of solidarity from workers opposing the importation of foreign workers, both from the country where the strike is taking place and from the countries from which the bourgeoisie sought to import workers. For example, see the September-December 1866 meetings of the General Council. The footnote added in the *Marx & Engels Collected Works* provides helpful context of the proletarian internationalist tactics that they used to fight the bourgeoisie:

On May, 3, 1866 Marx received from the German Tailors' Committee in London material on German journeymen tailors being used as strike-breakers by Dutch and British employers. On May 4 he wrote the piece "A Warning" and sent it to Liebknecht on behalf of the Central Committee to be published in German papers.

Marx wrote this address on the instructions of the Central Council in connection with the importation into Scotland of German and Danish tailors to be used as strike-breakers. This issue was discussed at the Central Council meeting of May 1, 1866. Friedrich Lessner informed the meeting that London manufacturers also intended to have recourse to German workers. For this reason the German tailors living in London formed a committee headed by Lessner and Haufe and took a decision to act jointly with the Council in order to frustrate the plans of the manufacturers and their agents in Germany. The Central Council sent two representatives to Edinburgh who persuaded the newly-arrived workers to cancel their contracts and return home.

On Marx's request, Lessner and Haufe sent him on May 3 details about the events in Edinburgh.

"A Warning" written by Marx on May 4 was published in several German newspapers.

The author's rough and fair copies of this document have survived.

At the same time Lessner and Haufe published a leaflet which set forth the aims and tasks of the German tailors' London Committee and contained an appeal to German workers in London to collect funds. In July, 1866 the committee issued a second leaflet, also signed by, Lessner and Haufe, and addressed to the tailors in Germany.¹⁴⁴

144 <https://www.marxists.org/archive/marx/iwma/documents/1866/minutes.htm>

Marx's speech at the 3rd Annual Report of the London General Council of the International gives a sense of just how effective these tactics were:

"It used to be a standard threat with British capitalists, riot only, in London, but also in the provinces, when their workmen would not tamely submit to their arbitrary dictation, that they, would supplant them by an importation of foreigners. The possibility of such importations taking place was in most cases sufficient to deter the British workmen from insisting on their demands. The action taken by the General Council has had the effect of putting a stop to these threats being made publicly. Where anything of the kind is contemplated it has to be done in secret, and the slightest information obtained by the workmen suffices to frustrate the plans of the capitalists. As a rule, when a strike or a lock-out occurs concerning any of the affiliated trades, the Continental correspondents of the Association are at once instructed to warn the workmen in their respective localities not to enter into any engagements with the agents of the capitalists of the place where the dispute is. However, this action is not confined

From this we can see the basic tactics that Marx and Engels applied to counter the bourgeoisie and promote proletarian internationalism. These included not only supporting the striking workers, but also appealing to workers in Germany to not become strike breakers, as well as organizing solidarity with the strikers among German workers already in England. In this way they were able to promote proletarian internationalist bonds between the English and German workers and counter any efforts by the bourgeoisie to rile up chauvinist and xenophobic sentiments among the striking English workers.

Marx's proletarian internationalist efforts in this regard were not limited to his work in the First International, nor were they limited to these sorts of solidarity efforts between striking workers and potential strikebreakers from other countries. While it was often possible to stop the bourgeoisie from importing foreign workers to break a given strike, it was not so easy to stop them from importing large numbers of foreign workers to weaken the working class movement broadly. Even then it was common practice for the bourgeoisie of one country to bring in foreign workers and pay them far less than the wages of the workers of that country. In this way they not only undermined the power of the working class movement but increased competition among the working class and funneled some of the backwards workers' outrage into xenophobia and chauvinism.

Therefore, in 1880 when Marx worked with Jules Guesde to draft the program of the French Workers Party, he included in the Economic Section of the program, a demand for "legal prohibition of bosses employing foreign workers at a wage less than that of French workers."¹⁴⁵ This demand is particularly important for U.S. communists to take up today. The bourgeoisie's policies of mass importation of foreign workers into the country is being carried out specifically to undermine the revival of the working class movement in the country, as the above comments from Jerome Powell demonstrate. This policy is only possible because these migrant workers are paid far less than U.S. citizens and live in extremely precarious conditions with the constant threat of deportation hanging over their head. Therefore, we can add to the above that we should support full citizenship for these migrants instead of these dead end programs like Tent and TPS, which grant migrants and refugees temporary legal status which can be revoked at any time if they "step out of line" in the eyes of the bourgeoisie. These demands, combined with carrying out skilled agitation and propaganda among both U.S.-born workers and migrant workers around the bourgeoisie's policies will be essential to combatting neo-nativist ideology and forging strong proletarian internationalist bonds between these workers.

4) Conclusion

In this document I have sketched a history of how the debates among the bourgeoisie have shaped and transformed their policy, ideology, and form of class rule over the past decades. This analysis has been fairly broad in scope and therefore is far from comprehensive. However, this historical context allows us to better understand the debates which are currently playing out among the ruling class and clarifies how it is that they have so rapidly shifted away from Neoliberalism and towards a militarized form of Neomercantilism.

The shift to Neomercantilism is a big change for the ruling class. It is a reversal of decades of accepted "wisdom" in the economic sphere, and has required major overhauls to institutions, alliances, trade agreements, and long-standing practices. These shifts are major transformations, even though they are not yet being carried out as part of a larger comprehensive plan to create a

to affiliated trades. The same action is taken on behalf of other trades upon application being received."
<https://www.marxists.org/archive/marx/iwma/archive/eichhoff/iwma-history/ch08.htm>
145 <https://www.marxists.org/archive/marx/works/1880/05/parti-ouvrier.htm> A little over a decade later, when Engels criticized the SPD's 1891 Erfurt Program, he contrasted it with the 1880 Program of the French Workers Party, noting that the SPD leaders had a lot to learn from the latter:
<https://marxists.architexturez.net/archive/marx/works/1891/06/29.htm>

new imperialist world system capable of ensuring a “New American Century.” The measures that have already been taken by the last two presidential administrations—though half-steps compared to what is needed to decouple from China—are already leading to big changes in the U.S. and world economy, and therefore in class relations domestically and internationally.

With these changes has come a significant increase in the populist rhetoric of both parties, and especially their efforts to more directly court the unions and grant them various concessions. Popular understanding has been slow to catch up to these important developments. In this period of change, the bourgeoisie is particularly vulnerable as they have not yet refined their new ideology and form of class rule; they are still struggling intensely among themselves over these changes, as some in the ruling class are still quite resistant to making these big and necessary changes.¹⁴⁶

In order to take advantage of the openings provided by these shifts, we must first and foremost understand them ourselves. We must then propagate an understanding of them broadly, both among Marxists and among the advanced workers with whom we have contact. We must then work with these forces to clarify these matters to others. Only on doing so can we inoculate the proletariat against the dangerous new forms of populism that the bourgeoisie is developing.

A naive understanding of the ruling class will only serve to hinder our efforts to win over the proletariat to Marxism. The liberal-informed logic of lesser-evilism is just as woefully insufficient as arguing that both parties are capitalist parties and therefore we should support neither. While the latter is not incorrect (there is no reason for Marxists to support the Democrats or the Republicans), in order to combat the ubiquitous bourgeois propaganda, we must understand the maneuvers and machinations of the ruling class parties *in their particularity*. Simply saying that both parties support capitalism will not win anyone over who is not already clear on this basic point.

Right now both Trump and Harris are supporting a rapid shift to Neomercantilism. There are some important differences between them on how to best do this, with Trump advocating “strategic decoupling” from China, while Harris is promoting “de-risking.” However, there is *no real disagreement on the need for major and comprehensive changes* to the U.S. and world economy. The differences pertain to the degree and rapidity of the shift, and just how much to reconfigure the economic relationship with China.

146 Within the ruling class, there are still some major disagreements over the shift to Neomercantilism broadly and over specific policies. For example, a significant subsection of merchant capitalists and financial capitalists are heavily invested in China. E-commerce giants like Amazon are particularly dependent on production in China and duties loopholes for their revenue. Even brick-and-mortar retailers who would benefit from the closing of duties loopholes, are also dependent on cheap products from China to maintain their profit margins. Many financial institutions are not only heavily invested in China—in one way or another—but also want a return to Neoliberal policies which allowed for the unrestricted flow of capital across borders to chase the highest possible rate of profit and engage in global labor arbitrage. The tighter financial conditions, while providing them with a higher rate of return on loan capital, jeopardize the profitability of their large-scale investments in the housing market and broader real-estate market, which levitated in recent years in large part because of extremely low interest rates. Therefore a section of these capitalists are opposing the shift to Neomercantilism and the related higher interest rates.

Finally, a section of the industrial capitalists who have offshored a large portion of the production, like Nike, are strongly opposed to strategic decoupling from China and even de-risking, insofar as it will severely jeopardize the tens of billions of dollars they have invested in producing commodities in China. In the end, many of these capitalists will likely be forced to come around to some degree to taking a more hawkish stance on China, but will likely lobby for exemptions for their own industries on the argument that they are not essential to national security. Therefore, they will likely end up strongly favoring politicians who support de-risking.

In exposures to the proletariat about the rise of Neomercantilism, it is important to emphasize that this is a scheme by the bourgeoisie to preserve the dominance of U.S. imperialism globally. With it will come a series of new repressive measures and a New Cold War. A significant portion of the U.S. economy will be shifted toward military production, and even new production which comes online in non-military industries will be constructed in such a way that it can easily be converted to produce military equipment in the event of a major war. These things are not in the interests of the working class or the broad masses.

While there will be some openings for the working class movement, and while Marxists must be ready to take advantage of these shifts, we must remember that the reshoring of production and other such changes are being done to *strengthen the class dictatorship of the bourgeoisie*. While the large-scale expansion of industrial production in the U.S. will create larger industrial proletariat, which can learn to act as the vanguard of the class the gravediggers of capitalism, reshoring will, of course, be carried out in a way that benefits the bourgeoisie, not the proletariat. But the bourgeoisie cannot escape the contradictions inherent in this process, which will provide favorable openings for the proletariat.

A rough analogy can be made with the creation of the new factories in Mexico in the wake of the signing of NAFTA. These factories, in a certain sense, provided new openings for organizing the proletariat in Mexico. However, they obviously did not benefit the people of Mexico, instead they gave more Mexicans the “privilege” of being exploited by international capitalists. Of course, the situation in the U.S. is different in that the factories built in Mexico were primarily to serve the interests of foreign capital, whereas the reindustrialization of the U.S. is being carried out by the U.S. bourgeoisie. Therefore, the dangers of cooptation of the working class movement and the proliferation of populist imperialist ideology among the proletariat is a significant risk. This must be combatted by clear and sharp propaganda which explains the true aims of the bourgeoisie in their reindustrialization efforts and why it is not in the interests of the proletariat to support the bourgeoisie.

a) Final Brief Digression

As noted above, there is a small—but not insignificant—chance that the bourgeoisie abandons these policies, or at least some of them, in favor of a return (perhaps temporary) to Neoliberalism, especially in the monetary sphere. This situation is most likely to occur in the short-term if there is a significant economic downturn. If this is the case, the short-term interests of the bourgeoisie could cause them to pressure the Fed to carry on major monetary loosening (e.g. cut rates and do QE) and simultaneously carry out fiscal stimulus to stave off the worst aspects of the looming crisis. This would cause a situation of “overheating” the economy, in which the current boom is temporarily prolonged, but at the expense of eroding confidence in the Dollar and causing significant inflation, especially in primary commodities.

This is because, this sort of easing would, in effect, aim preempt the crash, massively expanding the money supply at the peak of the boom. In a sense, this could quickly lead to a similar situation that followed the Keynesian easing and deficit spending of the 1960s which was likewise aimed at holding off economic downturns, especially during the election years. This extremely loose fiscal and monetary policy helped to propel the prices of commodities far above their prices of production and values (they were already above them at the time before the stimulus), which made the inevitable crash all that much bigger. In that instance, these policies contributed in significant ways to the breakdown of the Bretton Woods System, which saw the Dollar lose 90% of its value in the ten year period from 1970-1980.

In this case, if we return to the pre-Covid/post-2008 norms of Zero Interest Rate Policies (ZIRP) and QE we will see not only significant inflation, but also the continued levitation of asset prices (stocks, bonds, crypto, etc.) and the real estate market (all of which will likely rise faster than inflation), but also massive erosion of the Dollar’s status globally, as the present high interest rates are playing a huge role in defending the Dollar by drawing money into USD from other

markets. With ZIRP, we will see the opposite. Money will chase higher yields in “emerging markets,” at least initially, and will flow into rising primary commodities, various speculative ventures (e.g. crypto, NFTs, etc.), and capitalists will buy more and more gold.

While this is not the most likely outcome, given the contradictions between particular candidates and the political parties on the one hand and the capitalist class as a whole on the other, this is an outcome that cannot be ruled out. It is important to remember that this same contradiction played a significant role in Obama’s decision to preemptively leak the story about killing Osama Bin Laden, which severely damaged U.S. relations with Pakistan. Likewise, when Nixon became President he appointed Arthur Burns to head the Fed he told him “You see to it. No recession.”¹⁴⁷ Nixon felt that he lost his 1960 presidential campaign against Kennedy because then-head of the Fed, William McChesney Martin Jr., had raised rates, and thus supposedly cause a recession. Burns, upon taking over the Fed after Nixon’s election, followed Nixon’s directive, and was cheered by Wall Street for his easy money policies. This helped to secure Nixon’s reelection, but at a major cost to the bourgeoisie. Burns eased financial conditions despite the fact that in 1968 Paul Volcker, who then-worked in the Treasury department, had warned incoming Treasury Secretary David M. Kennedy that they had two years to save the Dollar. Burns’ loose monetary policy contributed to the collapse of the Bretton Woods System and the related stagflation of the 1970s.

If Kamala wins and wants to buoy the economy to support her reelection chances, we could see a similar dynamic occur. Likewise, if Trump wins and wants to fulfill his campaign promises of creating “the greatest economy anyone has ever seen” we could see similar large-scale monetary easing and fiscal stimulus to temporarily hold off an economic downturn.

b) Conclusion: Part 2

The shift to Neomercantilism is an effort of the U.S. bourgeoisie to bring about a “New American Century.” In order to do this, they need to strengthen the bourgeoisie state, develop more powerful machinery to control the society (including by bringing dissident members of the U.S. bourgeoisie to heel), expand censorship, and generally coordinate fiscal policy, monetary policy, and national security policy much more closely.

What’s more, a massive increase in the domestic industrial capacity of the U.S. will mean that the glut of overproduction, an inevitability under the prevailing capitalist relations of production, will lead to mass unemployment on a much greater scale than recent economic crises have. This is because heavy industry is hit much harder by crises than commercial enterprises and light industry, and the sector of industry which produces means of production for heavy industry is hit the hardest, as expanded reproduction (in which the demand for new means of production is at its highest) only occurs at a large-scale during the boom phase of the industrial cycle.

All of this is not in the interest of the proletariat. We want to see the strategic decline of the U.S. bourgeoisie, and as they decline, we must seize upon the openings for the working class movement that will inevitably rise. Therefore, while we can and must fight for policies that benefit the working class, we cannot throw our support behind one form or another of bourgeois populism which seeks to make the working class movement into a supporting appendage of the bourgeoisie. This requires us to fight for a distinctly proletarian perspective on any and all issues, and in particular take advantage of the present struggle among the bourgeoisie to promote the need for the political independence of the working class. Only in this way can we break through the morass that has plagued communists in the U.S. for the past half-century.

¹⁴⁷ <https://web.archive.org/web/20110911202443/http://www.businessweek.com/magazine/the-nixon-shock-08042011.html>