STEVE MAHER & SCOTT AQUANNO
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New Order?

On 2 April, Donald Trump announced the imposition of sweeping tariffs on countries across the world, hitting allies and enemies alike with massive trade barriers, in what amounted to an outright assault on the ideology of free trade. A 34% tariff would be imposed on China, 20% on the European Union, 49% on Cambodia, 48% on Laos, 46% on Vietnam, and so on: figures devised according to a simplified mathematical formula, in which the US goods trade deficit with any given country was divided by the value of US imports for that country, and that number was then divided in half. The *Wall Street Journal* lamented that Trump was 'blowing up the world trading system' and reverting to the 'old era of trade protectionism'. For the *Financial Times* it was 'an astonishing act of self-harm', which would 'upend the global economic order and tarnish US prosperity'. Investors soon went into meltdown. Key stock indexes plunged and roughly $10 trillion worth of market value was erased.

As bond yields rose, a jittery White House appeared to change course, reducing the tariff rate to 10% for most countries with the notable exception of China, where they have now been hiked to 125%. Further increases are on hold for ninety days. Once this waiting period is over, it is unclear whether Trump's original 'Liberation Day' plan will be reinstated, watered-down or scrapped. But even in their current form, the tariffs represent a major shift in the global economy – one which commentators across the spectrum are struggling to interpret.

The idea that Trump's agenda is dictated by the giant tech firms has bitten the dust, since few companies stand to lose more from the tariffs than Amazon and Tesla. Nor is it true, as some have argued, that the tariffs are a response to the decline of American capitalism. Prior to Trump's inauguration, the US economy was relatively robust, with high productivity growth, strong investment and R&D spending, and massive returns for its multinationals. Others have speculated that Trump wants to pressure states into joining a global 'Mar-a-Lago Accord' in which the dollar would be weakened to bolster American manufacturing competitiveness. But this too is implausible, since it would profoundly destabilize the dollar system, which is one of the key pillars of US global power that Trump is fixated on enhancing.

Trump's tariffs seem, at face value, to represent a break with the American state's historic role of superintending global capitalism. Since WWII, the US has steadfastly pursued a single hegemonic project: building an 'informal empire' composed of officially independent, sovereign states linked together through cross-border flows of trade and investment. The US took the lead in setting up the Bretton Woods system, whose controls and safeguards allowed other countries some flexibility in implementing independent fiscal and monetary policies, and which provided a stable framework within which to pursue further integration by eliminating tariffs and eventually non-tariff barriers. In the 1970s, Bretton Woods was cast aside and replaced by the seamless trade and investment flows of neoliberal globalization: an integrated order bound together by the free movement of capital under American leadership.

Through this process, the US state came to represent not only the interests of its domestic bourgeoisie but also those of global capital, imposing an international 'rule of law' to protect property rights and coordinate among different nations. This involved the negotiation of free trade agreements as well as the creation of a network of international institutions – the IMF, World Bank, WTO – which transformed the internal structures of individual nation-states, as they assumed responsibility for securing the conditions for internationalized accumulation. Creating a seamless world of capital accumulation also meant controlling inflation and crushing labour. This required the centralization of US state power in the executive agencies most directly responsible for managing such internationalization, especially the Federal Reserve, Treasury Department and Office of the US Trade Representative – whose insulation from electoral pressures helped to deflect protectionist challenges.

The new global order underpinned a symbiotic alliance between financial and industrial capital. By enabling the increased mobility of capital, financialization unleashed powerful competitive forces which served to discipline both states and workers – restoring profits and resolving the crisis of the 1970s. The neoliberal state turned away from legitimation to serve the needs of accumulation, rolling back social programmes through the imposition of permanent austerity, while hollowing out democratic institutions through the bureaucratization of state power. As a result, social-democratic politics reached an impasse, as no section of big capital was willing to support a compromise with workers that could have re-legitimated accumulation. The failure of the left to offer a plausible path out of the worsening social fallout paved the way for Trump's electoral victories. The legitimation crisis from which Trumpism emerged was a result of the *strength* of American capital, not its decline.

Trump is now attempting to exploit the relative autonomy of the executive, a historic bulwark of the globalization agenda, to undermine this global order. Tariffs have long been an idée fixe for Trump, who appears to believe that they are the key to national rejuvenation. Yet there is also a deeper political dynamic at work here. Parts of the nationalist right have coalesced around the view that the US's role as manager of the world system comes at too high a cost. 'American workers', they argue, have suffered from deindustrialization as well as downward pressure on wages and migration; small and medium enterprises have struggled to cope with cheap imports and a high dollar; and society at large has seen excessive resources channelled into maintaining an elaborate imperial state.

Trump presents these problems as the result of concessions made by prior administrations in order to bring other states into the US-led system. He claims that they have diminished American economic and political supremacy – as indicated by the country's trade deficit, especially in relation to China, whose economic rise has given credence to this narrative. The solution, we are told, is to reverse 'bad trade deals' and rebuild manufacturing capacity after decades of offshoring and internationalizing production: a plan that would involve pushing finance off its pedestal and replacing it to some extent with domestic manufacturing.

But that is very hard to do, and almost certainly won't work. Globalization cannot simply be reversed at the stroke of a pen. Its unravelling would involve much more than simply imposing tariffs; it would require an array of capital controls as well as a comprehensive industrial policy – measures that would constitute a more serious challenge to the dominant fractions of capital than anything Trump is willing to contemplate. His abrupt decision to change course once he encountered the structural limits of financial markets underscores the fact that the autonomy of the neoliberal state remains strictly relative. Only a government with a clear determination to take on capital, and the social and political forces to meaningfully pursue this challenge, would be capable of realizing such ambitions.

This is not, however, to understate the impact of the tariffs – both those that have been implemented already and those that may be still to come. Trump's fickle trade policy will have lasting effects on business investment and confidence, and over the coming months we may yet see a spiralling trade war – a situation that US-led globalization has long prevented. Even if Trump fully backs down, or loses the White House to Democrats at the next election, other states will still have lost faith in American stewardship, which will make it difficult to return to the prior regime of free trade. In the meantime, the tariffs are all but certain to generate inflationary pressures, worsening the social crises that helped propel Trump to power in the first place, and increasing the likelihood of a recession.

Given the damaging effects of globalization on workers, it is not surprising that sections of the labour movement – most notably the United Auto Workers' leader Sean Fain – have supported tariffs as a means of upending the existing order. But tariffs on their own are insufficient to reverse globalization, and these specific tariffs will do nothing to strengthen working-class power, nor improve living standards; in fact, they may well do the opposite. Onshoring would not necessarily mean the return of 'good jobs' to the northern heartlands, nor would it halt the process of technological development responsible for a large proportion of manufacturing job losses. It would most likely take the form of investment in the low-wage non-union south, which threatens to further undermine class solidarity.

There is also a strong chance that Trump's policies will serve to discredit left-wing challenges to free trade and globalization far into the future. Focusing narrowly on tariffs distracts from the more urgent task of building a working-class movement which could fight for the redistribution of income, improved job security, social programmes and a green transition. At stake here is not 'American competitiveness', but rather the need to democratize investment. This would involve imposing limits on capital's ability to discipline states and workers through the threat of 'exit'. But it would also mean developing planning mechanisms through which popular forces can exercise control over society's resources. In the absence of such mechanisms, it will be impossible to construct a trading system that serves workers both inside and outside the US.

Read on: Dylan Riley, 'Sermons For Princes', NLR 143.

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