

Orders in Decline

Gerstle, Gary (2022). *The Rise and Fall of the Neoliberal Order: America and the World in the Free Market Era*, Oxford: Oxford University Press

Thompson, Helen (2022). *Disorder: Hard Times in the 21st Century*, Oxford: Oxford University Press

Thomas König

Institut für Höhere Studien (IHS), Vienna
koenig@ihs.ac.at

Introduction

“The Rise and Fall of the Neoliberal Order”, by Gary Gerstle (2022), and “Disorder”, by Helen Thompson (2022) are two of the more remarkable books published last year. Gerstle, a political historian specializing in contemporary history of the U.S., provides a comprehensive political history of the U.S. over the past six decades (Gerstle 2022). Thompson, a political economist and from the same university, focuses on the transatlantic space: the United States and the European Union (Thompson 2022). Despite the different objects that they investigate, the two books share some commonalities (and beyond the joint use of the term “order” in the title): both are written from a broad and intellectual perspective and both apply the approach of interpreting history to gain meaningful, sometimes surprising insights into how it came to “the last decade’s disruption” (ibid., 5)

How did we get here? This question has become quite relevant, for the obvious reason of the underwhelming performance, development, and prospect of Western societies regarding several dimensions. Always a harbinger of discursive shifts, Francis Fukuyama (2020) has noted the “backsliding” in consolidated democracies three years ago. Adam Tooze (2020) concurred that “[i]t is hard to escape the impression that we have reached a point of historic rupture”. Since then, Western governments ‘botched’ their responses to the COVID-19 pandemic; the war in Ukraine has made the West’s energy dependencies transparent; Western societies are polarizing, with trust in core institutions of democracy,

like the fairness of elections, traditional media outlets, and parties fading. It feels like “the throbbing hangover from the carefree post-Cold War years” (Shapiro 2022), the reckoning that “[t]here is no natural liberal world order, and there are no rules without someone to enforce them” (Applebaum 2022).

From the neoliberal political order ...

The notion of the “political order” was coined 30 years ago to describe the enduring configuration of political economy in the U.S. following the Great Depression (Fraser/Gerstle 1989). However, as he describes in the beginning of his new book (Gerstle 2022, 48–69), that “New Deal political order” was undergoing a severe crisis, with the economic slump and the hubris of Keynesian economic policies, and with President Johnson, who as an heir of the New Deal wanted to build the “great society”, having entangled the U.S. in an enormously costly and futile war in Southeast Asia.

That crisis was seen as an opportunity by politicians, academics, and activists from (what was then still) the fringes of the political spectrum. And so, according to Gerstle’s (2022) renewed analysis, if the 1970s was the decade of the old order’s fall, it was the 1980s, under President Reagan, when “the architecture of an ascending neoliberal order” was becoming visible (ibid., 108).

All of this is not new. Different accounts have already unpacked the intellectual sources of the “neoliberal imagination” (Slobodian 2020, 21; see also Wasserman 2019), or the actual results (political, economic, and

cultural) of the new dynamic that neoliberal thinking has provided (Ther 2016). Gerstle's account combines the political history with economic and cultural shifts, such as the emergence of new areas of negotiating, and shaping the political discourse (Gerstle 2022, 88–98). He shows for the U.S. how this intellectual resource was turned into a set of policy proposals combined with a new political rhetoric that, in turn, became convincing for a majority of the electorate (*ibid.*, 105).

That aspect is crucial because to Gerstle (2022), "political order" is more than just the politics and the set of policies. At its heart stands "a distinctive program of political economy", which was "grounded in the belief that market forces had to be liberated from government regulatory controls that were stymieing growth, innovation, and freedom" (*ibid.*, 2). In other words, it provides a moral compass along which policies are aligned to, and politics are decided. That "distinctive program" is agreeable for a majority of the electorate and thus stable for a long time (about three decades) and spanning party lines.

It explains a specificity of the political rhetoric in the U.S., namely the confusion around the term "liberal". To distance themselves from the "liberal" (social democratic) policies of the New Deal, politicians from Goldwater and Reagan onwards chose to assign themselves the label conservative, although "we should not be mistaken that embrace for an affiliation with classical conservative values of order, hierarchy, traditions, embeddedness, and continuity. They, like other neoliberals, wanted to shake things up." (*ibid.*, 106).

Ironically – but a confirmation of the concept –, it is the period under Democrat Bill Clinton that constitutes the "triumph" of the neoliberal order. In part, this was due to global developments entirely out of any U.S. politician's hands.¹ Yet in terms of policies, Clinton set up the North American Free Trade Agreement (NAFTA), curbed the welfare state, opened trade relations with China; and he convinced his electorate that education would provide the solace to the woes that large parts of the white working class would endure once all those deregulatory and free market policies were set in place.

It worked for a while, with economists' "deregulatory enthusiasms and initiatives" (*ibid.*, 224) arguing that, overall, the economy was growing, and policies, such as Bush junior's successful attempt to increase homeownership in all segments of the population, bringing together "the two moral codes sustaining the neoliberal order – cosmopolitan diversity and neo-

Victorian self-reliance." (*ibid.*, 214). But when it broke down, the recipes that the neoliberal elites applied turned out to be like throwing oil into fire.

... to disorder

If Gerstle's account is one that encompasses six decades of American history, Helen Thompson's book is even more ambitious. "In search for a comprehensive explanation", her book tells no less than three stories, each of which is orderly subdivided into three chapters: geopolitics, economy, and democracy, assuming "that several different histories are necessary to identify the causal forces at work" and attempts to weave those histories together (Thompson 2022, 5).

One could argue that Thompson takes a motif with resemblance to what the economist Dani Rodrik has called the "globalization paradox" (Rodrik 2011) – the trilemma that democracy, national sovereignty and global markets are incompatible. Rodrik's "trilemma" is an economist-stylized, slick model that abstains from assessing the messy historical processes that has been going on, according to Thompson, since at least 1945 – but, really, has started well before World War I. It is these processes, and their dependence, that provide the empirical evidence of Thompson's narrative.

Since Thompson weaves many details together, here's an abridged plot. With respect to geopolitics, the main driving force since the 1960s was concerns regarding energy supply. The military forays of the U.S. in the Middle East she sees mostly as a compensation of the relative weakness of European postcolonial power; energy dependency also explains why post-Soviet Russia remains so relevant today. When it comes to economics, the breakdown of the Bretton Woods system helped create an unregulated market of Eurodollars that made the global financial sector balloon into a set of crises. Those crises were solved, mostly, by amassing public debt. As a side, the structural divergencies within the Eurozone as well as between the Eurozone and the rest of the EU led to a series of consequences, the most remarkable thus far being Brexit (Thompson 2022, 155–157).

Finally, democracy. Thompson (2022) starts out with a theoretical argument about representative democracy. Because of the regular election and thus change of political power, this form of government requires "a political means to procure losers' consent," that is, "tacit justifications for those who lose elections that enable them to accept the outcome without resort to violence or secession." It is the collective construction of "nationhood", i.e. the idea of the nation that "provided the historical answer to this crucial problem." (*ibid.*, 178) It should be noted that Thompson refers to the failed

¹ One of the ironies produced by Gerstle's analysis is the fact that two developments in Russia had a huge influence on the political orders in the U.S. – and from there, to the rest of the Western world. The revolution in 1917 and the establishment of a communist regime certainly helped foster the New Deal political order, and the same influence had the collapse of the Soviet Union on the Neoliberal political order.

First Republic in Austria to illustrate “democratic politics’ need for nationhood”, as an Austrian nationhood was not (yet) commonly accepted in the interwar period – and thus resulted in civil war, and the authoritarian *Ständestaat* (ibid., 193).

The second part of Thompson’s argument rests on the peculiarity of representative democracies, emerging in the 19th century and having been established in most Western European countries by the midst of the 20th century. One key characteristic that she observes by tracking the development until today is that representative democracies “become unstable over time” (ibid., 183). The reason for that, according to Thompson, is that this historically contingent form of government oscillates between “aristocratic” and “democratic excess”. An example for the former would be giving privilege to special interest groups (such as taxation exemptions to “a dominant economic class”), while an example for the latter would be for political parties to “make material promises they cannot possibly keep and appeal to vengeful passions” (ibid., 185–186).

The distinction between aristocratic and democratic excesses is a robust, and useful heuristic. Introduced at the beginning of in the last third of the book, it allows Thompson to show how the past decades’ “pressure of geopolitical and economic change is part of the reason why” representative democracies have witnessed excesses that have brought them onto the brink of breakdown. In no uncertain terms, she sorts them mostly onto the aristocratic side. One particularly significant example (among many others) is the way European governments have attempted to overcome their electorates’ opposition to a European Constitutional Treaty, exposing “the tension between possible national democratic change and the EU’s treaty-based constitutional order” (ibid., 241).

Looking back into the future

For Thompson, the main reasons for our tumultuous times are structural. Dependency on oil drives geopolitically risky endeavors. Unregulated financial markets accelerate economic instability. And aristocratic excesses drive delegitimization of democratic institutions. The conundrum of the European states belonging to the Eurozone is “how difficult the euro can make democratic politics when the distribution of taxation is at the same time circumscribed by international capital markets and offshore banking. Adapting the euro to changing economic conditions is limited by German electoral and judicial politics. The more governments, accordingly, pursue domestic reforms” that hurt considerable parts of their electorate, “the more they create domestic grievances”. (ibid.,

242–243). In Europe, one consequence of that was the dissolution of once powerful parties, as can be witnessed in Spain, in Italy, in France – and their corrosion in Germany and in Austria. In the U.S., a series of aristocratic excesses have resulted in what Thompson calls the weakening of losers’ consent –with the most obvious sign being election denialism (ibid., 257).

It should have become obvious by now how this connects to Gerstle’s account. The neoliberal order of tax cuts created the aura of policies that are inevitable. Similarly, under Barrack Obama, who as a candidate had rallied for “hope” and “change”, the slogan of banks being “too big to fail” prevailed, thereby “increasing the concentration of power and resources in a small number of gigantic financial institutions” (Gerstle 2022, 225). At the same time, this administration “did almost nothing to aid the estimated 9 million households facing foreclosure or distressed sales of their houses.” (ibid., 226). Gerstle sums up his analysis that, “[i]n the aftermath of the Great Recession, globalization and neoliberalism could no longer be promoted as policies that lifted all boats.”(ibid., 229)

Both books, firmly at the macro level of social dynamics, deal with political economy, but from different perspectives. In that sense, they are less in opposition of one another than complementary. Gerstle describes “a constellation of ideologies, policies, and constituencies that shape American politics in ways that endure beyond the two-, four-, and six-year election cycles” (ibid., 2), and how that equilibrium between policies, ideology, and interests of main actors eventually collapses. Thompson is interested in how structural forces are underpinning political decisions, or, in her words: how “the dramatic nature of political events” over the past years “were part of stories that were playing out over decades” (Thompson 2022, 263).

What is to learn from these two books? In terms of methods and concepts, there is merit in assessing the history of our current present in a narrative mode. This is true even though, in the case of Gerstle, the definition of “political order” remains incomplete: To be added are what could be called the political infrastructure of such an order, money and media, which is a necessary requisite of the concept. Much of the ascent of the neoliberal order relied on innovations, not least among them new technology and new legal opportunities. Whereas the New Deal was based on (left leaning) university departments, newspapers like the New York Times, unions, and TV networks, neoliberals established a counter establishment: not only other newspapers (like the Wall Street Journal) but also new media formats like cable TV and talk radio, to name a few.

Thompson’s conceptual work is more elaborate, but a different problem must be mentioned that is also typical for narrative accounts. Despite her masterful

overview, at times she gets carried away by interpreting the details of yet another momentous situation without tying it back to the structural forces that the situation is intended to characterize. One gets lost, at times, with too many events, and with too little understanding as of what exactly the structural underpinnings are that she has in mind.

Still, both books are full of revelations. Both Gerstle and Thompson provide an in-depth account as to what the reasons for these changes are, and how they were created in the political economy of the free market era. That era is now coming to an end, which is not only to be seen from Donald Trump winning the presidency in 2016. “In each of Trump’s three beliefs – that free trade and open borders were harming America, that America should privilege its people of European descent, and that America’s true strength lay in its professional wrestling heartland far more than in the aspirations of America’s elites – we can see an incipient attack on America’s neoliberal order.” (Gerstle 2022, 248)

Historical deep dives provide valuable insights into the present disorder. Yet it begs the immediate question, what new order we are about to get into, with some dazing issues arising alongside. One concerns the daunting challenge of curbing our dependency on fossil fuel-based energy that has been built up over the 20th century. Even if the shift to renewable energy can be managed successfully and in time, how to make sure that we are not dependent on rare earth and other stuff that is produced in authoritarian regimes?

Maybe more unsettling still is the fundamental question: who is this ‘we’? This is no longer rhetorical, as social scientists both in Northern America and in Europe point out by referring to the notion of “polarization”.² It seems that, not least because of political forces unleashed by inequality and a rejected sense of fairness, the very fabric of a society organized in a nation-state can dissolve if the collective premise of belonging together fades. If that trend continues, we are looking toward a lot more disorder to come.

Additional Literature

Applebaum, Anne (2022), There Is No Liberal World Order, in: *The Atlantic*, (May), online: <https://www.theatlantic.com/magazine/archive/2022/05/autocracy-could-destroy-democracy-russia-ukraine/629363/> (access: 15.10.2022).

Fraser, Steve/ Gary Gerstle, (1989), *The Rise and Fall of the New Deal Order, 1930-1980*, Princeton, N.J: Princeton University Press.

Fukuyama, Francis (2020), 30 Years of World Politics: What Has Changed?, in: *Journal of Democracy*, Vol. 31(1), 11–21.

Gangl, Katharina/ Barbara Juen/ Erich Kirchler/ Thomas König/et al. (2022), *Polarisierung in Österreich während der COVID-19-Pandemie: Wie kann Solidarität gestärkt werden?*, Vienna: Future Operations Platform, online: <https://core.ac.uk/works/123548621> (access: 17.1.2023).

Rodrik, Dani (2011), *The Globalization Paradox: Why Global Markets, States, and Democracy Can’t Coexist*, Oxford: Oxford University Press.

Shapiro, Walter (2022), 1989–2001: America’s Long Lost Weekend, in: *The New Republic*, (July–August), online: <https://newrepublic.com/article/166758/america-1989-2001-foreign-policy-lost-weekend> (access: 15.10.2022).

Slobodian, Quinn (2020), *Globalists: The End of Empire and the Birth of Neoliberalism*, Cambridge, MA: Harvard University Press.

Ther, Philipp (2016), *Die neue Ordnung auf dem alten Kontinent: eine Geschichte des neoliberalen Europa*, Berlin: Suhrkamp.

Tooze, Adam (2020), Whose Century?, in: *London Review of Books*, Vol. 42(15), online: <https://www.lrb.co.uk/the-paper/v42/n15/adam-tooze/whose-century> (access: 16.10.2022).

Wasserman, Janek (2019), *The Marginal Revolutionaries: How Austrian Economists Fought the War of Ideas*, New Haven: Yale University Press.

² For a discussion of the term, see a recent report on Austria (Gangl et al. 2022, 4–6).