

# Political Economy Contradictions As We Lurch Into 2025



*Richard D. Wolff*

12-21-2024 ~ The Republicans (GOP), traditionally the U.S.'s anti-tax party, now promise to use tariffs to wage trade wars, to massively deport immigrants, and to stop drug traffic. But tariffs are simply the name of one kind of tax (on imported goods and services). So the GOP becomes both anti-tax and pro-tax. Likewise, the traditional party of minimal government, today's GOP now favors massive subsidies to industries *that big government will select* as well as economic sanctions and bans on enterprises and whole countries *that big government will select*. Beyond the right-wing ideology and financial self-serving, Trump reflects deeper contradictions in the GOP's evolution.

The GOP, traditionally the laissez-faire party of private enterprise, now favors increased government control of what private enterprises can and cannot offer in markets for reproductive healthcare, control medications and devices, and also for vaccines and drugs. The GOP, traditionally supporting "freedom," now insists on blocking the free movement of people across borders and favors protectionist economic policy over a commitment to "free trade." Some of Trump's cabinet nominees voice traditional GOP views while others pronounce the new anti-traditional positions. Some nominees do both. Trump does not resolve the deep contradictions in the GOP's message, thereby confusing both its messengers and its public audiences. In the moment, those contradictions give Trump some power. Amid the confusion, he decides. But soon conflicts among U.S. policies will expose the incoherence of Trump's project and thereby sap his power.

The Democratic party was, at least since the Great Depression of the 1930s, the

“progressive” party of working people, unions, and oppressed minorities. Yet the rise of the “centrists” across recent decades shifted the Democrats rightward. As they became grateful recipients of corporate and billionaires’ donations, the Democrats increasingly supported the donor class by fielding “moderate” candidates, moderating their policies and programs, and publicly marginalizing the party’s remaining progressive wing. Privately, the Democrats’ centrist leaders pleaded and maneuvered to retain the traditional support of labor unions, oppressed minorities, and educated professionals. Moderation rendered the Democrats’ pursuit of gains for their traditional supporters ever less effective. So too did Democrats’ hold on those constituencies’ electoral commitments and loyalties dissipate. Success with donors contradicted deepening failures with voters, most starkly exposed in the 2024 election.

Multiple, intense, and persistent contradictions within both parties suggest that some underlying, historic shifts may be underway. In my view, the first of those shifts is the peaking and subsequent decline in recent decades of the U.S. empire and its allies (especially the G7). This shift reflects and feeds the concurrent rise of the Global South, China, and the BRICS. A second shift is the accumulation of U.S. capitalism’s internal economic problems and difficulties. These are inadequately acknowledged, let alone solved. Chief among the problems are the long-term worsening of wealth and income inequalities and the persistent boom-bust or recession-inflation cycles for which no solution has been found.

In short, both the GOP and the Democrats have denied both shifts. Indeed, denial has so far been the parties’ shared response to the linked declines of global empire and domestic capitalism. Denial rarely solves problems. It usually enables or provokes them to worsen until they explode.

The key contradictions roiling political parties and their economic policies work parallel effects among professional economists. Unresolved, stale debates among economists react back upon policies, politicians, and public discourse to render them frustratingly powerless to fix what the public sees increasingly as a broken system. Starting with Adam Smith, David Ricardo, and the doctrine of laissez-faire and, especially since John Maynard Keynes, a huge portion of the profession has centered its work around an ongoing, seemingly endless debate. The question is whether our capitalist system is best served by minimal versus large, ongoing government interventions in its operation. Should we privilege pro-laissez-faire economics (the so-called neoclassical tradition) or governmental interventionist

economics (the so-called Keynesian tradition) or some “synthesis” of both?

This debate figured prominently in U.S. university economics classes 20, 40, and 60 years ago much as it does in such classes today. The themes of that debate echoed prominently in the language of politics then and now. Occasionally, a few politicians recognized that the overdrawn oppositions, in theory, did not correspond all that well with actual practical politics. Nixon once said, “We are all Keynesian now.” Clinton boasted that he had “ended welfare as we know it.” Trump regularly excoriates Democrats as “radical left lunatics” and includes “fascists” among them. All three presidents were proved wrong, albeit quite self-assured, in making such confused and confusing statements.

Yet the centrality of the private-versus-government dispute in both economic theory and policy continues. Its social usefulness lies more in what it excludes rather than in anything positive it includes. Putting that debate at the core of economics has helped prevent alternative cores from emerging that would challenge both neoclassical and Keynesian economics. One such alternative core would question whether top-down hierarchical organizations of production (the employer-employee model) better serve societies than horizontally egalitarian, democratic organizations (the worker coop model). Debates might then focus on which organization of production better preserves the natural environment, reduces income and wealth inequalities, overcomes cyclical economic instability, or advances the physical and mental health of people.

The contradictions agitating discourses and practices these days may stem from the exhaustion of old economic and political traditions even as a new tradition is not yet clearly emerging. On the one hand, the U.S. and the UK now join Europe in turning clearly toward government-run protectionism instead of free trade. On the other, state-supervised China and India, among others, support free trade. The economic growth records of the USSR in the 20th century and of China in the 21st century undermine preferences for private over state-regulated capitalisms. The old debate yields no new light on such central economic issues these days as the rise of the BRICS bloc in the world economy relative to the declines of an already smaller G7 bloc and the U.S. dollar in world trade.

Of course, economists and politicians whose resumes mark them as leading proponents of neoclassical economics and privatization keep trying—like their Keynesian counterparts—to sustain the old debates that made them relevant. If

they succeed, it will be because a still prevailing system prefers to rehash the old rather than welcome and explore what is emerging. In any case, however, relentless change will continue to work its ways on a passing U.S. empire and its capitalist system.

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