

America Is Becoming a Social Democracy



Joe Biden waves to supporters before meeting with local labor leaders ahead at the union's state headquarters on Sept. 7, 2020 in Harrisburg, Pennsylvania. CHIP SOMODEVILLA/GETTY IMAGES

In his speech before a joint session of Congress last week, U.S. President Joe Biden advocated nothing less than the kind of social democracy that most of America's European partners have long taken for granted. United opposition from congressional Republicans may prevent him from realizing that dream. But merely by introducing the blandly named but far-reaching American Families Plan, Biden has compelled two profound questions: Why has America been so "exceptional" in this regard until now, and what has changed now to make the unthinkable so very possible?

First, some nomenclatural clarity. "Social democracy" is not "democratic

socialism,” even if many professed partisans of the latter seem to really want the former. Democratic socialism is socialism—the public ownership or effective control of economic resources—with a human face. Social democracy allows markets to flourish but uses tax and spending policies to finance the kinds of social goods promised in the American Families Plan—free universal education, child support, family and medical leave, and access to health care (which Biden has promised to enhance in a separate bill). The plan would achieve many of these goods through tax credits rather than the direct subsidies used in much of Northern Europe—a distinctively American twist on the social democratic formula.

Why has the United States lacked social democracy? Progressive thinkers from the time of the historian Charles Beard have argued that the U.S. plutocracy has used control over the nation’s politics to maintain their privileges and thwart efforts at reform. In his recent history of populism, *The People, No*, the economist Thomas Frank asserts that the same business class that crushed the populist revolt of the late 19th century also limited Franklin D. Roosevelt’s New Deal reforms and guided the late 20th-century Democratic Party into the shallows of the Third Way, embracing limited government and the hegemony of markets.

More recently, thinkers on the left have attributed the American exception to race rather than class. In *The Sum of Us*, the policy analyst Heather McGhee describes the workings of a zero-sum paradigm that has impelled poor white people to deprive themselves of social goods lest those goods also benefit Black people and thus threaten the racial hierarchy that keeps them on top. McGhee cites one study that imputes America’s low tax rates to white racism and concludes: “Absent race as an issue in American politics, the fiscal policy in the USA would look quite similar to fiscal policies in Northern Europe.”

Recent history gives credence to both hypotheses. In the aftermath of Lyndon Johnson’s war on poverty, conservatives, and above all Ronald Reagan, perfected a conjuring trick that blurred the distinction between government spending and helping poor Black people, whom Reagan was wont to call “welfare queens.” If government was good for poor Black people, it was bad for white people—maybe even for poor white people. The class theory seems equally convincing: One need only think of the tens of millions of dollars that the quintessentially plutocratic Koch brothers have poured into the cause of “limited government.”

The shortcoming of both these explanations is that they assume that people cannot sincerely hold the views they hold, especially if they appear to be inimical to their own material interests. Ergo, Americans have been duped into opposing social democracy. An earlier generation of thinkers, including such Progressives as Walter Weyl and Herbert Croly (authors of *The New Democracy* and *The Promise of American Life*, respectively), traced American resistance to an activist state to a Jeffersonian tradition of individual autonomy that had persisted (thanks, in no small part, to corporate power) despite the vast changes in the U.S. economy. The limited state spoke to Americans' deepest values.

In this respect, in fact, the United States has always been different from Europe. In a 2001 paper exploring why the United States doesn't have a European-style welfare state, a group of Harvard economists traced the gap in social spending to the very birth of the welfare state around 1870. Only the catastrophe of the Great Depression compelled Americans to accept the need for large-scale state intervention—though even then the gap with Europe remained large. (Nevertheless, the authors do anticipate McGhee's argument, asserting that "America's troubled race relations are clearly a major reason for the absence of an American welfare state.")

The final element to the America exception is success. One of the chief reasons why the energy for reform unleashed by the New Deal died out after World War II, dooming Harry Truman's Fair Deal, is that Americans felt that they were doing just fine on their own. Hourly manufacturing wages tripled between 1940 and 1960. Inequality shrank (thanks in part to high marginal taxes). Economic theories preoccupied with the allocation of scarce resources lost traction in what John Kenneth Galbraith called the "age of affluence" in his 1958 book, *The Affluent Society*.

In short, American resistance to social democracy was baked into the national culture, the economy, and the racial and class systems. What, then, has happened to weaken those mighty foundations?

Certainly, revelations about systemic police abuse of Black people, and the terrible sufferings of poor and especially Black people during the pandemic, have done something to undermine the zero-sum paradigm. But how much? Half the country still voted for Donald Trump. And Biden has carefully avoided race-specific economic plans and for that matter programs targeted only at the poor, in

order to avoid what may have been the tragic flaw of Johnson's Great Society, which, in effect, set middle-class benefactors against poor and Black beneficiaries of the welfare state.

There is also gratifying evidence that a once-monolithic owning class has been fragmented. For every billionaire holding his nose and voting for Trump in order to keep his taxes low there is a Warren Buffett or Bill Gates demanding higher taxes in order to provide more government services. But the weakening grip of the plutocracy feels like a dependent variable of something else.

That something lies in the realm of belief. The free market goose stopped laying golden eggs for the middle class about 45 years ago when incomes stopped growing. It took a full generation for that economic fact to even begin producing changes at the level of belief; the tech boom of the 1990s further delayed that moment of reckoning. Economic libertarianism began to hit the wall when President George W. Bush, fresh from his reelection, proposed to partly privatize Social Security, allowing ordinary Americans to play the market with their retirement money. This was the Rubicon that the free-market purists, led by Newt Gingrich, had been waiting to cross. And the plan flopped. Asked to choose between security and the so-called freedom of the marketplace, ordinary Americans chose security.

Trump understood that, at least intuitively. Alone among the Republican candidates in 2016, he offered security rather than freedom to a public increasingly worried about the brittleness of their standing, economic as well as social. Trump promised to protect Americans from market forces as well as from immigrants and terrorists, to preserve Social Security and Medicare, and bring Wall Street malefactors to book. He never did touch those entitlements, and he quickly assented to massive state spending to ward off the worst economic consequences of the pandemic. But he left most Americans far less secure than he found them.

Donald Trump's immense popularity is proof positive that the United States has not conquered the demons of race; nor have we tamed the overclass. Yet neither, it seems, posed quite the insuperable barrier to a more just society that critics on the left imagined. The Reagan switcheroo has stopped working. Americans no longer regard "us" as self-sufficient and only "them" as needy; thanks to a combination of long-standing precarity and the COVID-19 crisis, everyone is

hurting or only a little bit of bad luck away from real misfortune. The neo-Jeffersonian ideology that once allowed the American Medical Association to stave off Medicare by depicting doctors as endangered small-business owners, or conservatives to mock subsidized child care as Swedish-style socialism, is in full and perhaps permanent retreat. That ideology has proved remarkably robust; Croly predicted its demise more than a century ago. In a recent poll, two-thirds of respondents endorsed Biden's startlingly bold plans both on physical infrastructure and on social spending. If they pass in a form even remotely similar to what he has proposed, the American exception will finally end.

Of course, a future Republican Congress, and a future Republican president, could undo what a Democratic Congress and President have done. The United States is very far from the kind of social consensus that made it possible for Europeans to forge a welfare state in the years after World War II. But universal social benefits turn out to be quite sticky. Dwight Eisenhower made no attempt to roll back Social Security; even Ronald Reagan kept his hands off Medicare. People grow very fond of these cushions against life's shocks.

It is very strange to think that at a moment when liberal democracy seems to be in retreat all over the world, very much including at home, the United States is on the verge of embarking on the most radical experiment in government activism since at least the 1930s. Yet it's no contradiction. Now, as then, economic failure has compelled the world's democracies to prove, as Biden repeated before Congress, that they can deliver the safety and the prosperity that their citizens crave. Perhaps, though it is dangerous to think so, our deepest hopes will be realized.

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