

The Political Economy of Power

Niebuhr's Insights Endure

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Abstract

Niebuhr's warnings to Cold War-era policy-makers apply to two new audiences today: first, to those crafting policies for economic liberalization and global growth, and second, to an entire population of individual consumers in the developed world. In his book, Niebuhr describes the nature of American power, and the ironies embedded in the precipitous rise to power of a country that is, in principle, dedicated to the limitation of power. Three new levels of irony characterize American power today: First, our position is ironic because while we aggressively promote neoliberal economic policies to the rest of the world, we achieve justice at home to the extent that we violate our own neoliberal creed. Second, our global power is ironic because we insist that, rather than wielding power or establishing control, we are deferring to a greater and more just source of organization—the free market. Third, promoting growth based on the free-market model will actually lead to our demise, first by debilitating markets themselves, then by rendering the world increasingly hostile to human life by degrading the environment. Niebuhr illuminates underlying sources for the exceptionalism and individualism which contributed to our ironic situation, both in the Cold War and today. His 1952 observations have proven prescient warnings regarding the “monstrous consequences of moral complacency about the relation of dubious means to supposedly good ends.”



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In 1952 Niebuhr wrote *The Irony of American History* to encourage statesmen to practice humility and restraint in the conflict with the Soviet Union. He sought to point out to American policy makers the limits to our ability as humans to solve historical problems with simple solutions. Niebuhr warned American statesmen, who had the atomic bomb at their disposal, about the temptation to play God to history, emphasizing that we cannot control historical outcomes, especially on the international stage.

Today American power is economic rather than atomic. As the largest contributor by far to both the World Bank and the IMF, the US wields global power not through statecraft but through neoliberal economic reform and development policies. These institutions and the governments they advise increasingly refer to the market for simple solutions to complex social problems. Economic growth is touted as the cure, the morally sound project, of any struggling nation, and privatization and trade liberalization are the tools which coordinate individual self-interest to produce socially optimal outcomes.

The U.S. plays a critical role in pushing the global growth agenda. As the largest contributor to the IMF and World Bank, and the holder of the world's reserve currency, it influences international economic and political movements more than any other country. From its position of power the U.S. pushes a simple solution: poor countries should liberalize trade and cut public spending in order to attract the international investment necessary for growth. The mission statement of these U.S.-led institutions is to alleviate poverty by raising standards of living. When the policies work, they allow poor countries to purchase a greater basket of goods; but they often lead to debilitating budget cuts, privatization of vital national assets, and heavy debt burdens. Even when the policies stimulate higher GDP, they establish the unsustainable precedent that "growth" is a sufficiently comprehensive solution to the problems poor countries face. Niebuhr criticizes American culture for making "living standards' the final norm of the good life"; today more than ever, a rising standard of living is understood to mean an ever-increasing ability to consume. This American ideal has been reinforced by institutional support at the IMF and World Bank, who posit greater consumption as the obvious goal of development.

Our history of overestimating the morality of our exercise of power, and our unflagging promotion of a free-market agenda show we are “not immune to the temptation of believing that the universal validity of what we [hold] in trust justifies our use of power to establish it”.¹ Our own economic success and the global alliance we have forged to promote the free-market’s “dream of the universal good” inspires our pretensions to moral superiority and emboldens us to play God to history. We deny the complexity of global governance; we “fail to perceive that historical destiny may be beguiled, deflected and transfigured by human policy, but that it cannot be coerced.”² Our lack of self-awareness makes us tactless.

Niebuhr writes that the danger posed by a powerful nation originates not only in how it sees others, but also in its perception of itself. He relays the US’s long tradition of distorting its own role as master of its own destiny, ignoring the role of providence in our prosperity. We have taken credit for America’s growth and prosperity, forgetting that the continent’s wealth of natural resources and the technology available to us when we began to organize its economy lay at the foundation of our prosperity.³ Niebuhr noted that “it has remained one of the most difficult achievements for our nation to recognize the fortuitous and the providential element in our good fortune.”⁴ Our prosperity has also stunted our understanding of injustice and inequality, since in a society experiencing continuous economic growth “every ethical and social problem of a just distribution of the privileges of life is solved by so enlarging the privileges that either an equitable distribution is made easier or a lack of equity is rendered less noticeable.”⁵ But we have paid a price for the amelioration of social tension through economic growth. Continuous growth has “created moral illusions about the ease with which the adjustment of interests to interests can be made.”⁶ These moral illusions manifest themselves today in the oversimplified economic models which assume growth can be achieved by adjusting human behavior—that “human nature can be manipulated by methods analogous to those used in physical nature.”⁷

¹ Reinhold Niebuhr, *The Irony of American History* (Charles Scribner's Sons, 1952). 69.

² *Ibid.*, 75.

³ *Ibid.*, 49.

⁴ *Ibid.*, 48.

⁵ *Ibid.*, 56.

⁶ *Ibid.*, 57.

⁷ *Ibid.*, 6.

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Our confidence in the proficiency of growth-oriented solutions “makes for utopian visions of historical possibilities on the one hand and for rather materialistic conceptions of human ends on the other.”⁸ A preoccupation with increased consumption has indeed engendered a fixation on material success in this life: the good life is quantified in dollar terms. Consumption as a proxy for welfare, however, is conveniently measurable. It allows us to track our progress toward our “utopian visions”. Niebuhr remarks that our society “seek[s] a solution for practically every problem of life in quantitative terms, and [is] not fully aware of the limits of this approach,” maintaining the belief that increased production and consumption frontiers can solve all social problems.⁹

We extend this faith in quantitative comparison to our concept of justice. Our justice institutions seek to check conflicting powers in order to “give each man his due.”¹⁰ In the American understanding, justice has been well served if each man is due more than was due his father. The idea that children should be ‘better off’ than their parents is as integral to the American dream as it is to the consumption doctrine. This view, informed by our nation’s prosperous history, illustrates one of the ways in which unique economic success has produced our limited cultural understanding of the complexity of justice, power and morality.

Our inexperience with the “tragic drama of human history” which Niebuhr says European nations know so well, is reflected in our lack of a cultural consciousness that acknowledges that prosperity and virtue are not inevitable companions.¹¹ Niebuhr implies that America lacks a cultural framework “sufficiently profound to understand and anticipate the sorrows and pains which may result from a virtuous regard for our responsibilities.”¹² Neither a long shared history nor our founding documents provides such a framework.¹³ The Constitution takes pains to

⁸ Ibid.

⁹ Ibid., 59-60.

¹⁰ Ibid., 138.

¹¹ Ibid., 141.

¹² Ibid., 54.

¹³ Niebuhr implies but does not articulate that European frameworks of meaning include an understanding of the responsibility that comes with power. Lacking an aristocratic legacy, America’s economic elite did not acquire the same *noblesse oblige*. If statesmanship has at times been characterized by a sense of responsibility toward the less fortunate, it has been the result of transient political moods, not a widely held understanding of ruling class decency. The irony here is that while we marginalize the importance of nobility domestically, we feel that “our sense of responsibility to a world community beyond our

limit power, but offers little guidance as to how to wield the power we do have.¹⁴ In its distrust of power and its “shrewd awareness of the potential conflicts of power,” the Constitution “knows nothing of a simple harmony in society, analogous to the alleged reciprocity of the free market.”¹⁵ But whatever historical maturity the Constitution embodies has been overshadowed by “the ‘semi-official’ creed of a bourgeois community... Our political experience has enlarged upon [Constitutional] wisdom without always being in conscious relation to its explicit early formulation.”¹⁶ By the late 19th century, a commitment to growth replaced an awareness of social complexity in the political conversation. The “American Way” has been defined less by the constitution’s awareness of social contention, than by a confidence in the inevitable peace inherent to ever-greater prosperity.

In 1979 President Jimmy Carter identified a “fundamental threat to American Democracy,” one which “strikes at the very heart and soul and spirit of our national will.” The Crisis of Confidence that Carter spoke of did in fact attack America’s most enduring cultural principle: confidence in the efficacy of endless growth. This “malaise” could be seen “in the growing doubt about the meaning of our own lives and in the loss of a unity of purpose for our nation.” His speech highlights the flimsy nature of a framework of meaning that is contingent upon constantly increasing consumption. A collective framework of meaning, per Niebuhr, helps an individual navigate his “perpetual internal dialogue about the legitimacy of his hopes and purposes, and the virtue or vice of his previous acts.”¹⁷ But such self-critical internal dialogue surfaces during hard times. Our economic success has blunted the need for a discussion on morality. It has been enough to conflate our prosperity with morality. Carter, though, spoke during the uncertain seventies, when economic stability gave way to “growing doubt about the meaning of our lives”. Carter’s calls for spiritual unity, like Niebuhr’s before him, did not overcome the political thrust toward individualism. Rather than adopting a humbler awareness of growth’s limits, we guarded market principles even more jealously, privileging individual freedom and pushing liberalization more insistently than ever. Elected officials relinquished the protection of public interest to the market’s invisible hand.

own borders is a virtue,” since we protect the world’s vulnerable from backward ideologies (communism then, radical Islam now).

¹⁴ Niebuhr, *The Irony of American History*: 23.

¹⁵ *Ibid.*, 98.

¹⁶ *Ibid.*, 99.

¹⁷ *Ibid.*, 83.

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At home, market solutions are sought for a spectrum of social problems, from educating the youth, to feeding a growing population, to rehabilitating prison inmates. Abroad, the U.S. leads campaigns in which all sort of underdevelopment is solved through economic “adjustments” which will increase GDP and make exports competitive. The answer to what ails us is to increase consumption. The free-market creed doesn’t detail how the fruits of profitable investment shall be shared, but however unequal the distribution is, newly employed industrial workers have earned enough wages to increase their consumption options and drive further growth.

America’s global position is thus no less ironic than it was during the Cold War, and the irony manifests in three particular senses. In the **first**, our position is ironic because the more closely we adhere to our creed, the more we imperil social justice domestically. We don’t privatize and liberalize to the extent that we recommend to developing economies. We promote neoclassical growth strategies as a comprehensive solution to economic and social ills, but we continue to protect and subsidize and generally temper competitive pressure. To the extent that we have diverged from our creed, we have achieved more sustainable economic growth at a less disruptive pace, but in the decades since Niebuhr wrote our commitment to justice has devolved into a neo-conservatism which subjects social justice to the “justice” of the free market. Niebuhr noted the incompatibility between justice and the individualistic creed: “If justice is to be maintained and our survival assured, we cannot make individual liberty as unqualifiedly the end of life as our ideology asserts.”¹⁸

The ironic incongruence between ideology and reality was even greater when Niebuhr wrote for he did not exaggerate when he said that America had “achieved such justice as we possess...by setting organized power against organized power.”¹⁹ In the 1950’s organized economic power did allow for a level of justice in the distribution of wealth. In 1953, 32.5 percent of workers belonged to a union, compared with 11.3 percent today.²⁰ Unions demanded that the era’s substantial gains in productivity translate to higher wages and benefits. Niebuhr could truthfully say, “if our academic thought frequently negates our individualistic creed, our

¹⁸ Ibid., 8.

¹⁹ Ibid., 101.

²⁰ Jerry White, "Union Membership in US Lowest Level in 60 Years," World Socialist Website, <http://www.wsws.org/en/articles/2001/02/afl-f26.html>.

social practice is frequently better than the creed.”²¹ Our increasing alignment with our creed has grave implications for domestic economic justice. Today, collective bargaining gasps for breath, bankruptcy relieves businesses of their financial commitments to employees, and courts invoke “freedom of contract” to acquit employers of coercion. Presented with the evidence that America’s success “is due to social and political policies which violate and defy the social creed which characterizes a commercial society,” Niebuhr observed that “it is necessary to be wiser than our creed if we would survive in the struggle against communism.” The irony today is that we must be wiser than our creed if we are to survive life under our own version of capitalism.²²

The *second level of irony* lies in our denial that we are wielding power. As proponents of the market, we are the non-interventionists who (in word) distrust the concentration of power and want all individuals to be governed equally by competition. Niebuhr saw that we denied our own lust for power, a delusion which had ominous implications. “No powerful nation in history has ever been more reluctant to acknowledge the position it has achieved in the world than we... we have been so deluded by the concept of our innocence that we are ill prepared to deal with the temptations of power which now assail us.”²³ Today Niebuhr’s words apply to individual citizens, who are assailed by temptations of power which consumerism puts within their grasp. Consumer citizens today similarly refute that they practice any power over others, believing their consumption behavior to be self-contained.

Why, in plain view of the evidence of their influence, should the possessors of power remain unaware of their power? Niebuhr blames America’s narrow understanding of the basis of power. “We have had so little experience in managing or participating in the conscious and quasi-conscious power struggles of life and in fathoming the endlessly complex compounds...which constitute historic forms of power, that we would fain move in one direct leap from the use of economic to the use of military power.”²⁴ Whether America’s understanding of the limits to its military power has matured since Niebuhr wrote this book is debatable. Consumer citizens, however, have certainly not come of age with regard to the power they wield in the global marketplace.

²¹ Niebuhr, *The Irony of American History*: 10.

²² Ibid.

²³ Ibid., 38.

²⁴ Ibid., 76.

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Niebuhr cautioned a nation whose meteoric rise to economic superiority meant that it lacked real comprehension of what constitutes power and what limits it. Individual consumers have similarly been catapulted into positions of economic power whose significance they do not comprehend. Campaigns to generate awareness about the impact of what seem like neutral purchases fight an uphill battle, since advertisers take pains to veil the underbelly of the production process. Consumption has long been construed as a moral, or at least a morally neutral, activity with positive ripple effects throughout the macroeconomy. Now the power that consumers wield is morally ambiguous, but consumption is still hailed as a boon to the public good.

One of Niebuhr's observations which seems particularly apt in retrospect is that "communism is a vivid object lesson in the monstrous consequences of moral complacency about the benefits of the communist foe was that "Communism is a vivid object lesson in the monstrous consequences of moral complacency about the relation of dubious means to supposedly good ends."²⁵ As consumers demanding ever lower prices, we wield a double power. Directly, we drive competing producers to search the globe for cost-cutting opportunities. Indirectly, our purchases reach into the lives of workers at production plants, providing them with paychecks we would be embarrassed to deliver in person. Ironically, the actions which our market creed condones as "moral" are, in the global economy, undeniably dubious. Yet the nation's confidence and vitality hinge on reports of consumer demand, which measure how faithfully citizens are doing their part at the shopping center. Consumption's champions practice what Niebuhr calls "the frantic insistence that any measure taken in a good cause must be unequivocally virtuous." The irony is significant: "We take, and must continue to take, morally hazardous actions to preserve our civilization."²⁶

This second irony is overshadowed by a **third**, greater one: that promoting growth based on the free-market creed will actually lead to our demise, first by debilitating markets themselves, then by rendering the world increasingly hostile to human life by degrading the environment.

²⁵ Ibid., 5.

²⁶ Ibid.

Many will argue that any American purchase which generates income abroad increases overall welfare, especially since factory incomes often exceed the meager incomes in subsistence peasant societies. By providing people with jobs in the global economy, we turn them into consumers whose purchases will then drive more growth. This is the defense of leaders enamored of the market's "easy fix". By prescribing the "consumer" solution in all poverty stricken regions, we deny the unique circumstances which made our economic growth possible. The one-size-fits-all policies for growth we prescribe prove that we still consider ourselves the creators, rather than the creatures, of history; even our lessons in defeat over the past sixty years have not taught us that the "other unique community is the limit beyond which our ambitions must not run."²⁷ We fail to acknowledge that what worked for us cannot occur for most others.

Our promotion of free-markets reflects our impatience with the nations who lag behind us. Frustrated by the persistence of hardship and inefficiency in this world, we prescribe the free market as a universal fix-it tool, and in doing so succumb to the "technocratic" tendency to equate the mastery of nature with the mastery of history."²⁸ Given our overconfidence and our impatience with the inefficiency of history, we are "tempted to bring the whole of modern history to a tragic conclusion by one final and mighty effort to overcome its frustrations."²⁹ When Niebuhr envisioned such a "mighty effort", he likely assumed that the massive human and financial cost of the military project required for such a war would render it unsustainable. The wars in Iraq and Afghanistan, which became too costly and unpopular to maintain, have proved him right. America has found another, more subtle weapon with which to exert its power—the free market. Niebuhr's concern was for those of our people who, "become impatient and want to use the atomic bomb (symbol of the technical efficiency upon which our world authority rests)...to put an end to the recalcitrance of our foes."³⁰ Niebuhr was more aware of how politically fraught such action would be. "A democracy," he noted, "cannot of course, engage in an explicit preventive war."³¹ The neoclassical economic creed is just the tool America can use to promote growth and consumerism without playing the explicit hegemon. The

²⁷ Ibid., 139.

²⁸ Ibid., 145.

²⁹ Ibid., 146.

³⁰ Ibid., 75.

³¹ Ibid., 146.

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liberalization crusade is our effort to overcome the “recalcitrance” of any nation which resists market integration on our terms.

The history of western industrialized nations attest to the fact that the severe competition which results from liberalization in fact debilitates growth. The United States, Great Britain, Germany, Japan and Korea all depended on protectionism to slow the rate of what Niebuhr calls the “vast cultural and social dislocations” that result from the transition from agrarian to technical society, or in our case, from purely domestic economies to “open” economies.³² Liberalization and austerity threaten the viability of markets, but the impracticality of extreme competition is largely ignored. Niebuhr’s faith in the enlightened self-interest of the capitalist community was overly optimistic, since he maintained that “the force and danger of self-interest in human affairs are too obvious to remain long obscure to those who are not too blinded by either theory or interest to see the obvious.” Our adherence to abstract theory and a faith in the equilibration of interests allows us to ignore the evidence that we are on course to run capitalism into the ground.

Significant as they are, the issues of morality and market viability are dwarfed by the issue of sustainability. Niebuhr said “we must be wiser than our creed if we are to survive in the struggle against communism.”³³ Today we face, rather than the threat of communism, that of environmental catastrophe, and we cannot use traditional “growth”, our preferred problem solving tool, to defeat climate change. Increased growth will not only fail to solve our environmental predicament, it will exacerbate it by exhausting resources and encouraging production at any environmental cost. In our pursuit of consumption, we have been “preoccupied with man’s capacity to master historical forces and have forgotten that the same man... is also a creature of these historical forces.”³⁴ The threat of environmental catastrophe illustrates how quickly we will be reduced to “creatures” of the history we so energetically “created” by prioritizing growth over longevity. The spread of consumer power to the poor masses may quell social unrest in the short run by making medicine, calories and education more accessible. But increased consumption will not solve the problems posed by harsher hurricanes, rising seas and widespread drought.

³² Ibid., 116.

³³ Ibid., 10.

³⁴ Ibid., 141.

Niebuhr's Christian faith prevents him from adopting a tragic view of life, despite significant evidence. A tragic hero elicits pity and admiration because "he consciously defies the divine wrath for the sake of achieving a full human creativity."³⁵ Our denial of our power as individuals and as a nation to commit injustice by blindly pursuing growth is even more dangerous than the unseasoned power granted to us by the atomic bomb.

Niebuhr felt that atomic energy "put an almost unmanageable destructiveness into the hands of men," the immensity of which made a tragic, rather than ironic, view of human freedom more plausible than before.³⁶ The environmental destructiveness inherent in our growth formula makes the tragic view almost inescapable. The drive for growth leads not only to human rights violations, but also to global warming, which guarantees huge human costs, especially for the world's poorest. The destructive power embodied in the atomic bomb could be controlled if man could control himself, a possibility which allowed Niebuhr to conclude that "a purely tragic view of life is not finally viable."³⁷ We cannot readily draw that conclusion today, since our supposedly virtuous behavior has created destructive environmental forces which no peace treaty can contain. Our task today is not simply to put down a weapon, but to reverse a momentous economic trend of which we are the primary architects.

The Cold War presented American society with an opportunity for self-evaluation. The nation was confronted, said Niebuhr, "for the first time in our life with the questions: -- whether there is a simple coordination between virtue and prosperity; and whether the attainment of happiness, either through material prosperity or social peace is a simple possibility for man."³⁸ We have indeed achieved happiness through material prosperity. But any individual benefit gained through higher consumption implies disproportionate collective costs, which must be addressed. Writes Niebuhr, "We have thus far sought to solve all our problems by the expansion of our economy. This expansion cannot go on forever and ultimately we must face some vexatious issues of social justice."³⁹ The peaceful conclusion of the Cold War meant that Niebuhr's generation could skirt the questions he raises. In fact policy makers further marginalized the social questions as they counseled closer adherence to

³⁵ Ibid., 157.

³⁶ Ibid.

³⁷ Ibid.

³⁸ Ibid., 46.

³⁹ Ibid., 29.

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neoclassical economic models. Because of the corrosive power of free-markets, and the progressive nature of the environmental threat, there is no equivalent escape hatch today; his questions loom large. The opportunity for self-evaluation, though, can only be realized when “there is a dimension in the culture from the standpoint of which the elements of vanity in all human ambitions and achievements is discerned.”⁴⁰ Such humble perspective eludes our society, since “this is a height which can only be grasped by faith.”⁴¹ The unifying Christian faith Niebuhr wished upon America has receded even further in the intervening decades. The hope for today may lie in what many have identified as the emergence of a post-modern spirituality. The possibility of a new civic faith may sustain hope that future hardships will restore humility, rather than compel us to more insistently wield the same blunt instruments.

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⁴⁰ Ibid., 150.

⁴¹ Ibid.