

# Nobody Likes Wall Street Any More

**While private companies are constantly changing, experimenting with new forms of organisation, the American government is simply archaic, it has frozen in a bureaucratic hierarchy. How is the White House to deal with big business when it is less efficient—says the world famous political scientists Francis Fukuyama in conversation with Maciej Nowicki**

**In 2008 you voted for Barack Obama. Afterwards you were hugely disappointed with his presidency. Did you nevertheless vote for him in November 2012?**

Yes, for his victory guarantees that there will be no absurd attempt at dismantling the state by the Republicans. And this was what I feared the most. I do not expect anything extraordinary from Obama. During his first term he made many mistakes.

**Such as?**

He underestimated the scale of economic problems. He made a completely wrong assumption that the economy would rebound already in 2010. This was one of the reasons why he did not undertake reforms of the financial sector, which was a great disappointment for me. In 2009 he could have executed it relatively easily—America was on his side. One proof of that was the memorable *Newsweek* cover: “We are all socialists.”

**Wall Street was ready for far-reaching concessions—out of fear...**

Exactly. But Obama succumbed to pressure of the people around him, such as Timothy Geithner,



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*Photo: David Fukuyama*

a typical representative of the top 1%. The White House became a hostage of Wall Street.

Besides that Obama overestimated his social mandate. His principal idea, the health care reform, never enjoyed a big support. The majority of Americans was against it but the President pressed on with it. As a result in 2010 the Democrats lost control of the House of Representatives and all initiatives of the President were blocked. For the next two years he was unable to do anything. It is to a huge extent his own fault—if instead of health care reform he took on Wall Street or the question of immigration, the voters would have stood behind him. As it was, taking any decisions regarding the common future became impossible.

**The second term will be different? David Brooks wrote recently in *The New York Times* that the Democrats will play for the highest stakes. In the fight against the Republicans they will choose the strategy, “Let’s finish off the wounded while they are still weak.”**

It would be devastating. I hope that the two parties will strike some kind of compromise, which will allow the problems of my country to be solved, at least to some degree. For again, like in 2008, Obama does not have a broad mandate. The Republicans have a majority in the Senate. Luckily it is looking like they at last decided to change: They are pulling back on the question of the deficit, they are no longer blackmailing their opponents with the bankruptcy of America. The question remains what the Democrats will do. Will they overplay their hand again? Or will they draw conclusions from their mistakes and mitigate themselves?

**What do you think about the future of the Republicans? I talked recently to Jonathan Franzen, a great supporter of Obama and at the same time the President’s favourite writer, who told me that the last elections were a disaster for the America of the “white male.” There are huge demographic changes going on in the**

**USA and if the Republicans do not change their course they stand no chance.**

Defining this problem in demographic terms, the whites versus the rest, men versus women, is absurd. The essence of the problem is politics: If the Republicans were more flexible, they would have certainly won these elections, thanks to the votes of such people as me, who usually voted for them. And now they don’t have a sense of any bond with them. Fortunately in America when a party becomes too extreme, it immediately loses. It is a kind of punishment. The Republicans certainly deserved it—the last eight years of their history were a constant drift to the right. They have one answer to all questions: “The free market will solve our problems.” They do not understand reality, they do not want to understand it.

**Describing today’s United States you called them a “plutocracy.” Until recently such language was used by the radical left and not by former Neoconservatives such as yourself...**

The question, “Do the rich have a disproportionate influence on American politics?”, has only one correct answer: “Yes.” The former chief economist of the IMF Simon Johnson even claims that the USA is dominated by an oligarchy, not very different from the one we know from Russia. There is an abundance of examples illustrating this claim. The Wall Street got what it wanted—regulation of the world of finances is very weak. Farmaceutical corporations achieved a great influence on legislation on health care. Most of the unfair tax regulations serve the interests of the top 1%. Schools for the children of the rich are getting better, while schools for the rest are getting worse. Similar developments can be observed on the left—trade unions in the public sector are a powerful interest group—but the largest amount of money is with the big business. And then big business is imposing its laws on the rest.

**Ron Suskind, the author of one of the best books on Barack Obama, said to me that in**

**America nobody likes the Wall Street. People owning medium size businesses would like to see it razed down to the ground. Also the Tea Party has no great liking for the world of great finance, to put it mildly. Practically everyone feels taken for a ride.**

I think that Americans will do something about it in the end. I believe that the voters will enforce changes in our country. But the reform of the government is also necessary. While private companies are constantly changing, experimenting with new forms of organisation, the American government is simply archaic, it has frozen in a bureaucratic hierarchy. This is another area where Obama failed completely. He has done nothing to improve the functioning of the administration. In contrast to that for Bill Clinton it was an absolute priority, this was what he began his presidency with. How is the White House to deal with big business when it is less efficient, less effective? Besides it is usually not sufficient just to spend more government money on health care or education. What will be the effect of that if the system is completely inefficient in some places or enforces wrong solutions?

**And what does it mean for America that the incomes of the middle class were stagnant since mid-1970s and recently they have even started to fall?**

This is the crux of the matter. In a quite senseless way we accepted a certain form of globalisation: We assumed that the transition to a post-industrial world will bring only benefits. We forgot that one reason why the United States had coped so well was that the majority of employees—including industrial workers—had the status of middle class (and this was why socialism did not stand a chance in the USA). A significant percentage of these people worked in factories, which were recently closed and moved to China.

It was a huge mistake that we allowed the Chinese to de-industrialise the West. Thanks to that Beijing may play one country against another—

and also thanks to stealing technologies. The Germans have coped better than the USA. They have protected their industrial base.

**Meanwhile the left is reproducing clichés from the past. It cannot do any better.**

Exactly, where is the revolt on the left side? You do not see it at all. Since the crisis began on Wall Street, some leftist response should have emerged. Instead of that we had an expansion of right-wing populism in the shape of the Tea Party. For you could not treat the Occupy Wall Street movement seriously, it had an extremely narrow social base...

The left is in a disastrous intellectual condition. These people are completely decrepit. They are incapable of presenting a sensible alternative. In the USA the left wing of the Democratic Party cannot even answer the question about the role of money in electoral campaigns. And without it American politics will never change, for campaigns last two years here, rather than a few weeks. It costs a fortune.

Moreover, the left is dependent on trade unions, and they demand mostly one thing: to decrease the flexibility of the labour market, which means decreasing effectiveness. And in Europe the left wants the return of the welfare state, despite the fact that the demographic situation makes it absolutely impossible. For less and less people are working while more and more people are retired. As a result we are observing the death of the left, a growth of right-wing populism and a threat to democracy. People who vote for xenophobic right-wing parties in Scandinavia or France are very often former supporters of the communists or socialists.

**How do you perceive the future of America? Until recently Europeans mocked it, claiming it was a “collapsing empire.” Now they are more worried about their own fate.**

The American economy has been growing—in contrast to the European one—so speaking about the “collapse of America” is somewhat premature.

Thanks to shale gas we have extremely cheap energy. Until recently nobody expected that, as well as many other innovations. This is, of course, not the whole picture. America is no longer playing the same role in the World as it did before, in 1989–2008. We are returning to a much more natural distribution of power in the world. This is not all: We have huge fiscal constraints. We are broke. Everybody sees that we cannot afford another war in the Middle East. We also know how deeply divided America is. It is enough to turn the TV on: Americans are screaming at each other. And a way both sides have a sense of failure.

**Obama's foreign policy is a turn towards Asia. Europe does not like it, for it means sidelining it.**

I am a great supporter of this turn. And I do not think it means turning our back on Europe. American policy long ceased to be focused on Europe; under George W. Bush we were interested exclusively in the Middle East, Iraq and Afghanistan. In fact, as everybody can see, the global centre of power is moving towards Asia. We simply have to be involved with China, after all the USA lies on the Pacific. Europe has no right to take offence at that. Especially that a military conflict in Asia, involving China, is becoming increasingly likely...

**Until recently China was very cautious: it pretended to be weaker than it really was. Some time ago its behaviour changed diametrically: They are shaking their fists at their neighbours. A bit like Putin, who shakes his fist at the West when he does not know what to do.**

The Communist Party of China (CPC) has only two ways of justifying its power: economic growth or aggressive nationalism. And because the growth is slowing down, Beijing is placing its stakes on nationalism. It is remindful of the behaviour of the ascending Germany before World War I. We know how it ended.

I hope that the Chinese will understand how dangerous their actions are. Perhaps the new president Xi Jinping, who has a very strong poli-

tical position, decides on a liberalisation. People I recently spoke to in China are hoping for something like that to happen.

**And if it does not?**

The Chinese system has many weak points. The emperor never knew what was going on in the countryside. And it stayed like that: the CPC is very good at censoring the Internet—they employed tens of thousands of people for that job—but collecting information is not its forte. Having no free media and local elections they do not know what the Chinese really think. Since the start of the economic slowdown they are tampering with the statistics in a big way. And they haven't got the slightest respect for ordinary people: countless protests break out in China. And therefore one day the system may collapse. Before it happens, we will be observing a growth of aggressive nationalism.

**And the European Union? A few months ago you wrote that Greece should leave the euro zone.**

And I have not changed my opinion. But as we know Greece does not want to do it. So if the euro zone is to survive, the Germans have to pay for rescuing the South. We know that this bailout will be costly and that should have been done early on, rather than dealing with the matter in a piecemeal way.

The Union should introduce changes in its structure as soon as possible. Draw a lesson from the failure of the euro, which was a mistake from the very start. Deepening European integration is impossible today. The German ideas such as the fiscal union will certainly not catch on, for nobody wants that. Europe should focus on looser forms of organisation.

**Are you sure that the euro will survive? Although we see that the markets have calmed down a little, a large part of the European economy is still in a disastrous condition.**

I am not certain if the euro will survive. But I am sure that the results of the breakup of the zone

would be less dangerous than many politicians claim, for example Angela Merkel. It would be very costly but it would have nothing to do with an Apocalypse or a risk of war.

And one more thing. In recent years the EU was a project driven exclusively by the elites. It is true that referenda were organised, but when people rejected the proposed solution, the elites simply announced a new poll, until the desired result was achieved. This does not have much to do with democracy. And nobody buys it any more. And this is why the EU, which was intended to build an atmosphere of trust between the nations, to an increasing extent produces mutual dislike. Europe in the technocratic version has ended. One consequence of imposing everything from above is the growth of right-wing populism.

**In what direction will Russia go? Is the revolt of the middle class going to produce any results? Currently the protests are fading.**

I think that their importance is overestimated. Of course I am glad that the middle class is opposed to Putin but what did the protests achieve? The only response of the Kremlin was to strengthen its political base. So for now we will be observing a continuation of previous policy. Perhaps in a tougher version. It is similar in the case of foreign policy: Nothing has changed. Russia is still incapable of maintaining good relations with practically anyone.

**You have visited Poland many times, for the first time in 1989.**

Yes, I worked for George Bush's administration then. I remember my visit in Central Europe in May 1989. I was in Budapest and Gdańsk. Suddenly it became obvious that both Hungary and Poland would leave the communist camp. It was a magic moment.

You have done a huge work since then. But I see two threats. One of the main instruments of government policy in Hungary is inciting xenophobia and hostility towards Europe. The principles

of the rule of law are violated. The socialist regime was outrageous—it is no wonder for me that the Hungarians wanted changes. But Orbán is behaving as if he did not understand that without respecting legal standards there is no chance for a healthy democracy. It is looking much better in Poland: The anti-liberal tendency is embodied by one party, which does not hold power. So far you have managed to keep populism under control. But the crisis in Europe will deepen and the problem may return.

Economically you are doing really well—thanks to low salaries and orders from Germany, which are driving your economy. But this will not last forever: without innovation and increasing productivity you will come to a standstill. Therefore instead of looking back you should think about the future as soon as possible.



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*Photo: Maciej Nowicki*