



View from the Beltway

Conservatives and Economic Populism

BY OWEN ULLMANN

A passing fling or a budding bromance?

Virtually under the radar, a new movement within the Republican Party has been growing quietly in recent years that threatens to upend the GOP's traditional embrace of free trade, tax cuts for corporations and the wealthy, deregulation, and anything Wall Street does to fatten profits. It's called economic populism and it's suddenly in the spotlight because one of its most prominent advocates, Senator JD Vance of Ohio, has been tapped by Donald Trump to be his running mate.

For decades, the Republican Party has successfully expanded its ranks of support among working Americans without college degrees by promoting cultural and social populism. It has waged war on bicoastal elites, the Ivy League, wokeness, the "Deep State," immigrants, the transgender community, and affirmative action. Yet the GOP's mainstream economic policies have hardly been populist.

Vance, elected to the Senate in 2022, and a handful of other Republicans argue that to retain the loyalty of less-affluent working Americans and

enlist more support among that group, they need to adopt economic policies that actually help this constituency. Support for globalization, which caused massive deindustrialization of the Rust Belt and accelerated income inequality, is not among them.

As president, Trump was a quasi-populist on economics, as evidenced by the tariffs he imposed on

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Chinese products and restrictions on immigration. But on other economic policies, he was a traditional Republican. Trump pushed Congress to slash tax rates for corporations and the wealthy, supported looser regulations for multiple industries, and was no friend of labor unions, whose leaders are largely Democratic activists.

Dissatisfied with that mixed stance of policies, American Compass, a Washington think tank created at the end of Trump's presidency in 2020, is leading the charge to remake GOP positions more consistently populist. "We are developing the conservative economic agenda to supplant blind faith in free markets with a focus on workers, their families and communities, and the national interest," the group states in its 2023 annual report.

Oren Cass, an economist who founded American Compass, has declared that "the Reagan-era agenda of tax cuts, deregulation, and free trade is over." That may be hyperbole, but Cass, a former adviser to Mitt Romney's presidential campaigns in 2008 and 2012, is determined to guide conservatives in a direction that even left-wing Democrats like Senator Bernie Sanders of Vermont might find somewhat appealing.

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Owen Ullmann is TIE's executive editor.

Cass wrote in the group's 2023 report. "But for all his disruptions and provocations, Trump showed little interest in building an intellectual foundation or developing a policy agenda that charted a new course forward. The conservative establishment adopted a mindset of 'this too shall pass' and waited, heads down, to return to their pre-Trump agenda."

"What has happened since President Trump left office has thus been, in many ways, more significant for the future of conservatism," Cass continued. "Prominent elected leaders and key institutions have become skeptical of corporate power and financial engineering and optimistic about a renewed labor movement; actively hostile to globalization and enthusiastic about industrial policy; averse to entitlement cuts and eager to expand support for working families."

Only a few prominent Republican officeholders are in this camp as of now. In addition to Vance, they include Senators Marco Rubio of Florida, Josh Hawley of Missouri, and Tom Cotton of Arkansas.

Vance, a wealthy venture capitalist and lawyer, seems a likely advocate for the working class since he was a member of it while growing up and wrote about his experiences in his best-selling memoir, *Hillbilly Elegy*

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(2016). Rubio isn't normally thought of as a fellow populist, but during the 2017 negotiations on Trump's big tax cut, the senator led a successful drive to carve out a childcare tax credit that was paid for by limiting the corporate tax cut to 21 percent rather than 20 percent as initially proposed.

Cass believes the ranks of economic populists will swell in the years ahead. The movement could

JD Sanders?

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Senator JD Vance (R-OH),
Donald Trump's 2024 running mate.

become turbo-charged if Trump wins the November election and Vance becomes a leading candidate to succeed him.

The GOP has political space to be more populist economically because the Democratic Party surrendered that territory beginning with the Carter and Clinton administrations, which supported financial deregulation and global trade and sought closer ties with Wall Street and Corporate America.

Michael R. Strain, director of economic policy studies at the conservative-leaning American Enterprise Institute, sees both parties moving toward a more populist economic agenda that includes reviving domestic manufacturing and promoting "Buy America" campaigns and protectionist measures that reduce U.S. economic ties with trading partners either by bringing more production home or trading with a smaller group of reliable partners.

"There are similarities and differences over the kind of specific policy levers used," he said. "The populists on the right gravitated toward tariffs,

and President Biden has kept the Trump tariff regime in place. But he is more interested in using industrial subsidies and industrial policy than President Trump." He noted, as an example, subsidies for American factories to produce more semiconductors.

Perhaps more startling for a party known for its close historic ties to business, Strain sees a growing movement on the political right to tilt bargaining power away from companies and toward workers, long a Democratic platform. "You're seeing some outright support for traditional unions on the right," he said. "But you're also seeing more of an effort to think about types of structures we could create that might give workers more power but aren't traditional labor unions. So you see interest in sectoral work councils, something that's been discussed by prominent Republicans in contrast to the left's very pro-organized labor stance." Some GOP populists argue that existing unions could do a better job representing workers if they focused solely on job issues and shunned national and local politics.



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In addition, these Republican populists are united with many progressive Democrats, such as Senator Elizabeth Warren of Massachusetts, in supporting aggressive moves by Federal Trade Commission Chair Lina Khan on alleged unfair practices by the nation’s largest corporations, particularly Big Tech, which Republicans believe have a pro-liberal political bias.

Other goals Cass cites as worthy of populist support include higher taxes on stock buybacks, which increase the value of companies without helping workers, and shifting some federal funds that support colleges to vocational education and training.

Strain contends the spark that lit this populist movement on the right was the 2008 financial crisis that exacted a heavy toll on average Americans. While Wall Street and corporate America got federal bailouts, millions of families lost their homes and jobs and saw their standards of living plunge. He estimates it took until 2014 for real adjusted median wages to recover to their 2007 level.



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“There’s been some good research that demonstrates that over the last 150 years or so, if you look at a variety of advanced economies, you see that big surges of support for populism follow financial crises, and that populism sticks around once it takes root,” he explained. “That’s what I see happening now. Trump won only about a third of the primary vote in 2016, so the majority of Republicans weren’t where he was on issues like trade and protectionism. Trump moved the center of gravity of the party. A lot of elected officials who were strong supporters of free trade and strong opponents of protectionism have resigned and been replaced by people who are much more nationalist and populist in their approach to economic issues. Add to that the covid pandemic, which caused social and political disruption in its own way.”

Should Trump win in November, would another term produce a mix of traditional and populist GOP policies like the first? A more populist approach would entail antipathy toward big business, which Trump does not seem to share. By contrast, Strain noted, Vance has praised FTC Chair Khan as the best member of the Biden administration. “It may be that a second Trump term is more populist than nationalist on some of those big issues like antitrust in a way that’s quite similar to President Biden,” he said.

Adam S. Hersh, a senior economist at the left-leaning Economic Policy Institute, agrees with Strain that the rise of economic populism within GOP ranks is a response to the failure of the economic system to meet the needs of the majority of people. “This is happening in our political parties and it is happening simultaneously around the world,” he said. “The system is seen widely—and justifiably—as unfair and corrupt, and people feel powerless about this. So they’re open to casting tradition over the railing and look for people who can show a different way forward. That creates an opening for wannabe authoritarians to move within the frameworks of democratic politics.”

Hersh argues that the same rightward, nationalist political movement is occurring in China. “I think that

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comes back to the economy that we’ve created. In the 1990s and 2000s, we built a global economy based on this symbiotic mutual exploitation by elites in China and the United States. China served up its workers at slave wages and served up its clean air and clean water for a chance for some people to get rich and for the country to get out from under the thumb of foreign subservience. U.S. businesses were happy to oblige like they were kids at a candy store. No one was giving much thought to what the sociopolitical consequences of these changes would be.”

“The increasing pressures, financial strain, and precarity that most people experience in our economy have prompted politicians to point to scapegoats,” Hersh added. “There’s been convergence on China as one. Beyond that, Republicans scapegoat most foreigners, immigrants, and

coastal Democratic elites blamed for bringing this system into existence. Democrats scapegoat corporations. But neither party is really willing to go far enough to change the fundamentals of the game.”

Hersh said he has heard extensive economic critiques of the corporatization of the economy by conservative talk radio and media outlets “that you would mistake for coming out of a Bernie Sanders acolyte, but they point the blame in different directions and have different policy ideas that don’t really address the problems and only reinforce the current system.”

While widespread antipathy toward China has spurred a more nationalistic politics, Hersh doesn’t see a truly populist movement emerging that addresses the economic inequalities of the current system in a way that resolves the social conflicts that dissatisfaction with the economy has spawned. “I think corporations will adapt within a system that is going to become more economically fragmented. I would’ve thought in 2016 or 2017, that they would’ve had more sway over President Trump and pulled him back from some of the more extremes of his trade rhetoric and policy.

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But they didn’t seem to have that influence. Still, there are a lot of ways to adapt and maintain profitability within changing geopolitical and geoeconomic regimes.”

Hersh predicts that a new test for Corporate America will be how both parties deal with Chinese investment in Mexico, particularly in clean energy vehicles, and the surge in imports of vehicles from Mexico that are

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displacing jobs not only in legacy areas in the Midwest’s Rust Belt but the new areas of the South, as well.

In response to concerns among affected workers who are now voting Republican more regularly, Hersh said, a number of Republicans in the House and Senate are conducting test polls on the issue of unionization and staking out positions that favor some form of private sector unions, which is a departure from traditional conservative canon. “Workplace democracy would be a countervailing force against the concentration of wealth and authoritarianism,” he said.

Hersh cited the 1950 Treaty of Detroit as an example of a *détente* between labor and corporations that might appeal to GOP populists. The

treaty was a five-year contract negotiated by United Auto Workers President Walter Reuther and General Motors. It protected the automaker from annual strikes, and the UAW gave up the right to bargain over some issues in exchange for health, unemployment, pension, and vacation benefits, and cost-of-living wage adjustments. The contract became a model for GM and other auto companies for

decades and influenced settlements in other industries.

The question going forward is whether the GOP’s economic populists are a flash in the pan who will fade after having only modest impact on GOP orthodoxy, or if they grow in influence and ignite a full-scale war within the party over its core principles. Vance, for example, has staked out pro-union stances within a party that has enacted anti-union policies, such as right-to-work laws, in numerous state legislatures the GOP controls.

Strain believes that if Trump loses the election, there will be a big fight on the political right in 2025 over the direction of the party on economic issues. If he wins in November, that reckoning will be delayed by four years. “Two areas that have changed the party over the longer term are hostility toward China, which would have happened whether or not Trump won in 2016, and immigration,” he said. “I think that’ll stick after he exits the scene. But on most other issues, when he is off the stage, I suspect the party will swing back in the direction of free trade, low taxes on businesses, and erring on the side of allowing mergers and acquisitions.”

Still, a return to its traditional role as the party of big business can’t be guaranteed as long as so many working Americans are unhappy with the status quo. If Vance proves to be a powerful and durable representative of economic populism, a big intra-party fight is likely—with no certain outcome. ♦