The Great Consolidation

By ROSS DOUTHAT

This feels like a populist moment. Americans are Tea Partying. Greeks are rioting. Incumbents are being thrown out; the Federal Reserve is facing an audit; Goldman Sachs is facing prosecution. In Kentucky, Ron Paul’s son might be about to win a Republican Senate primary.

But look through these anti-establishment theatrics to the deep structures of political and economic power, and suddenly the surge of populism feels like so much sound and fury, obscuring the real story of our time. From Washington to Athens, the economic crisis is producing consolidation rather than revolution, the entrenchment of authority rather than its diffusion, and the concentration of power in the hands of the same elite that presided over the disasters in the first place.

Consider the European situation. For a week after Greece’s fiscal meltdown began, all the talk was about the weakness of the European Union, the folly of its too-rapid expansion, and the failure of the Continent’s governing class to anticipate the crisis.

But then the E.U. acted, bailing out Greece to the tune of nearly a trillion dollars, and dictating economic terms to Athens that resemble “the kind of thing a surrendering field marshal signs in a railway car in the forest at the end of a bloody war,” in the words of the Washington Post columnist Anne Applebaum. If the bailout succeeds, the E.U.’s authority over its member states will be dramatically enhanced — and a crisis created by hasty, elite-driven integration will have led, inexorably, to further integration and a more powerful elite.

This trajectory should be familiar to Americans. The panic of 2008 happened, in part, because the public interest had become too intertwined with private interests for the latter to be allowed...
to fail. But everything we did to halt the panic, and all the legislation we’ve passed, has only strengthened the symbiosis.

From the Troubled Asset Relief Program to the stimulus bill, from the auto bailout to health care reform, we’ve created a vast new array of public-private partnerships — empowering insiders at the expense of outsiders, large institutions at the expense of small ones, and Washington at the expense of state and local governments. Eighteen months after the financial crisis, the interests of our financiers, C.E.O.’s, bureaucrats and politicians are yoked together as never before.

A similar, quieter consolidation has taken place in the realm of national security. After campaigning against the Bush administration’s foreign-policy overreach, President Obama has retained nearly all of the war powers that George Bush took up in the wake of 9/11.

Yes, some of the previous administration’s more sweeping claims have been repudiated. But the basic post-9/11 architecture of executive power — expansive powers to detain, interrogate and assassinate, claimed for the duration of an open-ended war — looks destined to endure for presidencies to come.

Taken case by case, many of these policy choices are perfectly defensible. Taken as a whole, they suggest a system that only knows how to move in one direction. If consolidation creates a crisis, the answer is further consolidation. If economic centralization has unintended consequences, then you need political centralization to clean up the mess. If a government conspicuously fails to prevent a terrorist attack or a real estate bubble, then obviously it needs to be given more powers to prevent the next one, or the one after that.

The C.I.A. and F.B.I. didn’t stop 9/11, so now we have the Department of Homeland Security. Decades of government subsidies for homebuyers helped create the housing crash, so now the government is subsidizing the auto industry, the green-energy industry, the health care sector ...

The pattern applies to personnel as well as policy. If Robert Rubin’s mistakes helped create an out-of-control financial sector, then naturally you need Timothy Geithner and Lawrence Summers — Rubin’s protégés — to set things right. After all, who else are you going to trust with all that consolidated power? Ron Paul? Dennis Kucinich? Sarah Palin?
This is the perverse logic of meritocracy. Once a system grows sufficiently complex, it doesn’t matter how badly our best and brightest foul things up. Every crisis increases their authority, because they seem to be the only ones who understand the system well enough to fix it.

But their fixes tend to make the system even more complex and centralized, and more vulnerable to the next national-security surprise, the next natural disaster, the next economic crisis. Which is why, despite all the populist backlash and all the promises from Washington, this isn’t the end of the “too big to fail” era. It’s the beginning.