

'REAGANISM' AFTER REAGAN

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I think that in a few years time we will look back at the present as the vernal equinox of the human spirit, that moment when the darkness was finally exceeded by the light.

Ronald Reagan, 1986¹

The 1988 elections in the US herald the end of the Age of Reagan. By January 1989 the President should be safely retired to Southern California. There he will spend his declining years in familiar pursuits: retelling favourite stories to wealthy friends, posing—like Mao in the Yangtze—for occasional displays of vigour before piles of splintered wood, supervising the writing of his official biography, and doing those other things expected of American elder statesmen. He will, at last, be gone from the centre of national politics.

Reagan's impending departure naturally inspires a number of questions about the meaning and legacy of that destructive bundle of policies, eponymously identified as 'Reaganism', pursued during his time in office. Where did Reaganism come from? What did it amount to, and what has it accomplished? How will its achievements shape the post-Reagan future of American politics? In this essay, we offer some provisional answers to these questions, concentrating on their implications for US domestic politics.

Our discussion has three parts. In the first, we locate the sources of Reaganism in the economic decline and turbulence of the late 1970s. Despite the many distinctive qualities of the Reagan administration, its main policy agenda, we argue, derived from an ecumenical elite response to those difficulties, framed within a highly fragmented political system largely devoid of popular organization. In the second, we review the major actions of the Reagan administration (again focusing on domestic initiatives). We then consider its failure to address the fundamental economic problems of the US, and the constraining legacy it will bequeath its successor—a weakened economy burdened with a huge amount of debt. In the third, we assess the likely near-term future of American

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politics, focusing on party competition around the 1988 elections, and the ways that the Reagan legacy shapes that competition. We argue that the conservative policies associated with the present administration will almost surely continue after Reagan.

Before moving to this discussion we should note one prominent omission from it; we do not discuss the 'Iranscam' scandal of illicit US arms sales to Iran, and the diversion of monies from those sales to fund the Contra war on Nicaragua. Apart from the usual limitations of space, there are two reasons for this. First, as we write in August 1987, the investigation of the scandal is still ongoing. While the Congressional hearings have just ended, new revelations will almost surely emerge from the activities of the special prosecutor, especially after criminal charges are filed against the principals. Any attempt to assess the scandal in other than the broadest terms—as more evidence, for example, of confusion within the Reagan administration, or the rogue character of the US national security apparatus, or the constitutional deformations of the 'Imperial Presidency'—is therefore premature. Second, at the level of the broad policy commitments that are the subject of this essay, it does not appear that 'Iranscam', whatever the drama of its revelations, will amount to very much. The Congressional investigation was preoccupied with the procedural irregularities involved, with key members of the administration joining Congress in condemning those irregularities. And there was considerable praise for the substantive goals of US policy in Central America from both witnesses and Congressional investigators themselves. Assuming this sort of response continues, the net effect of 'Iranscam' will likely be some fanning of Congressional doubts about the utility of the Contras, and some formalization of executive-legislative co-ordination on covert operations. The scandal will not provoke a major debate about the ends of the US foreign policy, or the early resort to force and covert operations to achieve those ends; nor, *a fortiori*, is it likely to reverse the right turn in US domestic politics that provides our central focus.

The Collapse of the New Deal: Lowest Common Denominator Politics
Where did Reaganism come from? A familiar answer, part of the folk wisdom about the Reagan era, is that it emerged from a conservative groundswell of public opinion in the US in the middle and late 1970s. Given back-to-back elections of an obviously conservative president, this view has a certain initial air of plausibility. But there is virtually no evidence for it. As several investigations of survey data have recently made clear, the American public, while surely confused and often frightened by the events of the 1970s, did not become noticeably more conservative in the period leading up to Reagan's first term.³

Nor did a conservative tide return Reagan to office in 1984. On domestic issues, a CBS News/*New York Times* poll conducted in November

1984 found 'no suggestion. . . that the American public has grown more conservative during the four years of the Reagan administration'. On the contrary, it noted, 'there is more willingness now to spend money on domestic programmes and a better assessment of the social programmes of the 1960s'.⁴ And in the area of foreign policy, public opinion has also remained at odds with the administration's major policy initiatives. At the very end of Jimmy Carter's term, there **was** a surge of support for increased military spending, but this was short lived; by early 1983, only 14 per cent of the public continued to support increases in the military **budget**.⁵ And throughout the Reagan Presidency, significant majorities have opposed US policy in Central America, with even stronger majorities favouring a relaxation of tensions with the Soviet **Union**.⁶

Both in 1980 and 1984, instead, popular support for Ronald Reagan appears to have turned almost entirely on economic issues. In 1980, his victory is best explained as a massive vote of no-confidence in the economic policies of the Carter administration, which had just plunged the economy into a recession. In 1984, Reagan's recovery, led by military spending, produced the greatest election year per capita income gain since 1936, when Roosevelt was returned triumphantly to office. Given an uninspiring Democratic alternative of tax increases and spending restraints, economic considerations once again dominated ideological **ones**.⁷

How then can one explain the conservative shift in American public policy associated with the Reagan presidency? While many factors no doubt contributed to this outcome, the core of the explanation lies in the dismal political economy of the late 1970s. US economic performance deteriorated sharply during that period, and US integration into the rest of the world economy qualitatively increased. In conjunction, these economic changes shifted the calculus of American business elites in important ways. They made virtually all sectors of American business, including those 'liberal', predominantly multinational sectors that had provided key support for the New Deal party system, much more sensitive to costs (eg, the costs of labour, meliorative social policies, economic regulation, and corporate taxes), and intent on using government to relieve those costs. They also induced quite general business pressures for increased military outlays. Especially under the low-growth conditions of the period, this shift in business sentiment finally fractured the New Deal system that had long defined American politics. It produced irresistible pressures for a major re-ordering of policy priorities, a policy **realignment**.⁸

At home, the magnitude of the economic deterioration that drove this process may be highlighted by focusing on economic performance before and after 1973—the last 'good year' of the postwar period. Comparing 1948–73 with 1973–79, average annual GNP growth slowed by about a third, dropping from 3.7 to 2.6 per cent; annual productivity growth plummeted, falling from 2.2 to 0.4 per cent; and, reflecting inflationary

pressures, the ratio of actual to potential output in the economy fell from 99 to 94 per cent.⁹ The bottom line of both corporations and workers sagged badly. The real rate of return on capital for non-financial corporations, which had peaked at more than 8 per cent in 1965, hit a low of 2 per cent in 1974, and averaged under 4 per cent over 1973-80.¹⁰ Real median family income, after having doubled over 1947-73, fell back 6 per cent by 1980.¹¹ And average real gross weekly earnings for private non-agricultural workers, which had peaked in 1972, fell 13 per cent, back to their lowest levels since 1962.¹²

On the international scene, the long-term decline in the relative position and competitive performance of the US continued in the 1970s. The US share of world GNP continued to fall, and its share of world trade, a rough measure of competitive position, continued to fall faster. Reflecting the decline in competitive position, the US trade balance turned negative in 1971 (for the first time since 1893). With brief exceptions in the mid-1970s, it became increasingly so throughout the decade.

More important to understanding the political changes of the period, however, US integration with the rest of the world economy increased qualitatively. The share of GNP claimed by imports and exports, which had been quite stable for the previous 50 years, suddenly doubled, rising from 12.7 to 24.5 per cent over 1970-80.¹³ While price effects vary across product markets, this overnight jump in import penetration and export dependence was sufficient to bring international price pressures to bear on most, if not all, US firms. Even where they succeeded in maintaining market share, they needed to do so in a far more competitive environment. Among other things, this meant that their ability to simply pass costs along to captive domestic consumers was sharply curtailed.¹⁴

Responding to the pressures of declining domestic performance and increased competition from abroad, the American business community mobilized in predictable ways. While US labour costs were already falling relative to major competitors, business pressed for wage concessions, and business organizations devoted themselves with renewed energy to rolling back unionism. Groups like the National Association of Manufacturers promoted the virtues of a 'union-free environment', and illegal employer attacks on unions skyrocketed at the National Labour Relations Board. While the US was already one of the least heavily regulated advanced capitalist economies, a variety of business organizations—including a revived Chamber of Commerce, the new Business Roundtable, and a host of private foundations—mobilized to cut back on the 'regulatory burden' imposed by government. While the level of welfare spending in the US was also low in comparative terms, and the growth of means-tested entitlement programmes and individual benefit packages was already flat or negative, widespread efforts—concentrated in such business supported think-tanks as the Heritage Foundation and the American Enterprise Institute—soon

got underway to chop social spending and return to a 'free' labour market. Last but hardly least, while the corporate share of federal revenues was already falling dramatically, much of business—gathering in groups like the American Council on Capital Formation, or later, in the so-called Carlton Group—pressed for further cuts in business taxes."

Always complicated by other, more explicitly political factors, growing internationalization of the economy also served to heighten business demands for increased military spending. As a general matter, there was growing recognition that military force could usefully compensate for declining economic power, especially during a period of mounting rivalry among the major capitalist powers. More particularly, however, the specific pattern of US internationalization contributed.. to demands for increased military spending. Of special importance here was the US drive into the Third World.

The Third World became far more important to US business during the late 1970s for two basic reasons. The first was that developing countries were growing considerably faster than the developed nations of the OECD, and particularly so after the 1973–75 recession.¹⁶ Responding to these differentials in growth, which translated into vastly increased profit opportunities, US companies more than doubled their net direct investment flows to non-oil LDCs over 1973–80.¹⁷

The second reason was OPEC. The enormous rise in oil prices that began in 1973 increased the importance of oil-exporting countries as markets for a variety of US goods and services. The cash surpluses of these countries also instantly qualified them as major depositors in US banks. And as the reserves of petrodollars accuniulated in New York and other US financial centres, US banks began recycling them back out to other parts of the Third World in the form of debt. By 1980, the stake of US banks in this market had risen to \$100 billion.¹⁸

Here the political factors come in. Even as US involvement in the Third World grew, the region was becoming more dangerous as a haven for investors. Expropriations of US firms operating in the region increased dramatically in the late 1960s and early 1970s. Averaging less than one firm per year over 1941–66, they jumped to 20 firms per year over 1967–73.¹⁹ This was followed by a wave of successful Third World revolutions. Over 1962–74, only one revolution had occurred in the Third World, in economically marginal South Yemen. Over 1974–80, fourteen did, in widely disparate regions, and their number included such economically vital countries as Iran.²⁰ This upheaval underscored the limits of the so-called 'Nixon Doctrine' on US intervention, which had sought to protect private American interests in the Third World through the use of regional surrogates. It persuaded much of the business community that the US needed to enhance its capacity for the direct projection of force into developing regions.²¹

Turmoil in the Third World also contributed to the collapse of the already fragile *dktente* between the US and the Soviet Union. An important source of elite support for *dktente* were the economic gains expected from more open and stable dealings with the USSR. As the 1970s wore on, however, it became clear that these advantages accrued more to US competitors in Western Europe than to American business. While exports from Western Europe to the Eastern Bloc continued to rise, the flow of US goods and capital stagnated. At the same time, however, growing US involvement with the Third World, particularly military involvement, sharpened conflict with the Soviet Union, which competed with the US for dominance *there*.²²

As with the pressures to cut business costs, interests in increasing military spending soon achieved organized expression. The lobbying resources of long-standing hawkish organizations, such as the National Strategy Information Centre, swelled. New hardline groups, including the prominent Committee on the Present Danger, were formed with strong business support. And even such traditionally 'liberal' elite organizations as the Council on Foreign Affairs took on a notably more belligerent tone. With the fall of the Pahlevi regime in Iran in 1979, this clamour reached a *crecendo*.²³

It bears emphasis that this business programme of cutting costs at home and increasing military spending for enhanced power abroad, while clearly not a constructive response to economic decline and internationalization, was also not a *concerted* one. To signal this in what follows, we will call it business' Lowest Common Denominator (LCD) programme. There were several reasons for pursuing this sort of response, rather than a more co-ordinated restructuring of the US economy. Four of them, bearing on the discussion that follows, are particularly important.

First, and most important, business' own internal divisions tended to thwart more concerted action. The American business community is notably decentralized and divided, and the pressures of the late 1970s only served to intensify historic splits within it. Increased integration with the rest of the world economy, for example, served to intensify splits over the question of trade. Declining, predominantly national, industrial sectors (and their unions) lobbied hard for further protection from the flow of foreign goods; as foreign pressures increased throughout the decade, the ranks of US protectionists proportionately increased. But this dynamic was by no means one-sided. Multinational firms, whose own share of world trade had remained roughly constant as the US share had declined,²⁴ lobbied for further integration, not less; increased reliance on imports generated stronger free-trade sentiment in certain domestic sectors, such as retail goods; and in general, virtually all firms that consumed finished goods in their own production processes had some interest in keeping their sources of supply unconstrained (if not, of course, their own product

market). As the dispute about trade rolled along, related fights broke out over the appropriate role of the dollar in the international system, and the definition of those regions most vital to US 'national' interest.

Second, the extremely fragmented structure of American public policy-making also weighed against more co-ordinated economic strategies. For reasons too familiar and various to command sustained attention here—ranging from constitutional strictures on federalism and the separation of powers, to the extreme unevenness of economic development across different regions, to the 'splendid isolation' from external threats that the US long enjoyed—American politics is notably heterogeneous, decentralized, and uncoordinated. Put otherwise, the costs of collective political action in the US are relatively high. As a result, and to a degree even more pronounced than elsewhere, the design and implementation of ambitious, system-wide political programmes, requiring the co-ordination of state and private interests in a variety of arenas, occurs very rarely, and then usually only in moments of severe political crisis. The late 1970s were not such a moment.

Third, and relatedly, non-business interests in the US are notoriously disorganized, and were especially so in the 1970s. With trade unions continuing their generation-long decline, the protest movements of the 1960s a fading memory, and the most vulnerable members of American society not even significantly present as an electoral force, there was very little popular pressure on business to overcome its own divisions. Put otherwise, business had little inducement to resist its natural inclination to impose the costs of its own failures on the rest of the population.

Fourth and finally, the international environment for US policy-making, including the mounting tensions with such major allies as Japan and West Germany, **figured** in crucial ways. The economic problems of the late 1970s were global, and as such their solution required a significant increase in co-ordination among the major capitalist powers. But such co-ordination was repeatedly baffled by the *sauve qui peut* policies of the major capitalist states. Most importantly, the difficulties of sustaining growth in the high wage countries of the industrial core (and thus the rest of the world) were to a large extent a function of the mismatch between the special role accorded to the US within the international system—in particular, the role accorded to the dollar as the world's reserve currency for trade—and the diminished position of the American economy. The collapse of the Bretton Woods monetary system in the early 1970s was one symptom of this mismatch. Within the floating exchange rate system that ensued, always exacerbated by the currency speculations of an increasingly mobile capital, it exerted a profoundly deflationary pressure on the world economy. But US business resisted any proposal for a virtuous re-ordering of monetary relations—by, for example, shifting away from a dollar denominated system to one based on Special Drawing Rights. And its commercial rivals,

particularly in Japan and West Germany, resisted efforts at the co-ordinated reflation that could repel speculative attacks.

Given these various constraints, the LCD programme, while certainly not the only possible response to economic pressures, had a certain deep-seated political logic.

How that logic affected US party politics in the short run was also predictable. For the Democratic Party, the new political economy of the late 1970s opened up a widening fissure between the needs of its traditional electoral base and the demands of its elite (again, predominantly multi-national) business constituency. These tensions rendered the party a notably inefficient vehicle-for the LCD programme, and they presented party leaders with the impossible task of reconciling what were, within straitened economic circumstances, irreconcilable demands.

As exemplified in the administration of Jimmy Carter, the characteristic response of Democratic leaders was to temporize, scaling back traditional New Deal commitments while making at least some concessions to the Democrats' mass base. But the partial character of both moves satisfied almost no one. Carter made significant initiatives in deregulation (in particular, trucking and airline deregulation), capped many areas of social spending (and announced significant spending cuts in his re-election year), and sponsored a major boost in military spending. But he never moved fast or far enough to satisfy the business community, and traditional Democratic business elites commenced a mass exodus from the party. And while he moderated demands for even more regressive changes, this provided little solace to the shrinking Democratic electorate, whose income was dropping sharply by the end of his term.

Carter, like the New Deal coalition he imperfectly personified, suffered from increasing international pressures on a weakened US economy. Upon first taking office, he had sought to reflate the American economy through a relatively loose monetary policy. But this soon produced an inflation rate in excess of other countries, and with it—given slackening world demand for the currency of a weakening economy—sharp downward pressures on the dollar. Good Trilateralist that he was, Carter repeatedly urged the virtues of co-ordinated reflation on the West Europeans and Japanese. But, most evidently at the Bonn Summit of 1978, these entreaties were just as commonly rebuffed. In 1979, bouts of speculation broke out against the dollar, driving the big banks, the chief holders of dollars, into a frenzy. To satisfy them, Carter appointed Paul Volcker to head the Federal Reserve Board, with a charge to halt the dollar's fall. Volcker did so in classic fashion. He slammed the brakes on the money supply, drove interest rates up to historic levels, and induced a recession, all but guaranteeing Carter's electoral demise.²⁵

But while Democrats wrestled unsuccessfully with the conundrums of providing growth in an era of stagflation, and at least some measure of

equity in a time of severe supply side pressures, Republicans were clearly advantaged—at least, again, in the short run—by the harsher political climate signalled by the LCD programme. Unencumbered by a mass base, the Republican Party was quite prepared to serve as a vehicle for business aspirations, and especially happy to welcome the scores of competing business interests defecting from the Democrats.²⁶

Thus in 1980, with an exceptionally wide array of business supporters crowded onto their bandwagon, and a major push provided by the awful election year economy Volcker's monetary interventions had produced, the Republicans rolled to an easy victory. Ronald Reagan became President. His victory, again, was not the product of a massive ideological conversion of the electorate. Nor, again, did it herald the emergence of a concerted programme for national reconstruction, or, as some thought at the time, a systematic revival of *laissez-faire*. It did, however, provide the opportunity for some serious LCD politics. This was an opportunity that both parties, in the name of 'Reaganism', quickly seized.

'Reaganism'

What did Reaganism do, and what has it accomplished?

The answer to the first part of this question is simple. Swept to power with an elite mandate to cut business costs and boost the military budget, the administration did just that. It institutionalized the LCD programme in the substance of American public policy.

We should emphasize at the outset that in pursuing this project the administration benefited from the acquiescence and support of the leadership of the Democratic Party, which moved distinctly to the right after the 1980 disaster. Party differences, of course, did not vanish during the Reagan years; nor did *all* Democrats become more conservative. But the most significant achievements of the administration—cutting taxes and social spending, relieving the 'regulatory burden' on business, enriching the military—were to an important degree bipartisan. On these basic initiatives the Democrats, who controlled at least one chamber of the Congress throughout the Reagan presidency, joined the President in institutionalizing the LCD.

The movement on taxes was straightforward. For corporations, the 1981 Economic Recovery Tax Act (ERTA)—and the 1982 Tax Equity and Fiscal Responsibility Tax Act (TEFRA) correction to it—cut effective tax rates for business in half (from 33 to 16 per cent).²⁷ For individuals, taxes were cut for the top quintile of the population (in 1985 dollars, those making more than \$45,000 a year), and increased or left unaffected for everyone else.²⁸ Across income groups, the results were consistently regressive. Including inflation effects and Social Security taxes, the tax burden for those making under \$10,000 a year increased 22 per cent; for those making \$200,000 a year it decreased 15 per cent.²⁹ Where were the

Democrats in all this? After losing a bidding war to line up business support for their own LCD-style tax bill, more than half of the House Democrats and more than **80** per cent of Senate Democrats voted in favour of this attack on the party's base.

The administration also moved aggressively on social spending. Over **1981-86**, with most of the action occurring early in Reagan's first term, social spending was cut **10** per cent below the levels projected under prior policy, or roughly **\$50** billion a year. Predictably enough, those programmes serving organized, and in particular non-poor constituencies, fared better than those serving the unemployed or poor. Social Security, for example, was cut only **5** per cent. By contrast, low income programmes, which comprised only **10** per cent of the budget, absorbed one third of all spending cuts made during the administration's first term—with predictable welfare consequences.

Although their response was more complicated and qualified than on taxes, here too the Democrats helped out. While they resisted some of the more extreme administration proposals, their endorsement of the administration's tax legislation laid the basis for the shrinkage of social spending, and on the major social spending initiatives themselves they provided key support. The first votes, in effect setting new baselines for social programmes, were the most important, and on these the Democrats were clearly willing to support the President. 'I can read Congress,' Democratic House Speaker Thomas P. ('Tip') O'Neill told the press in early **1981**, on the eve of a major vote on the first spending reductions. 'They go along with the will of the people, and the will of the people is to go along with the President.'³⁰ When the costs to their reputation among their traditional electoral constituencies were judged too high, of course, Democratic support for the President sometimes took subtle forms. Besieged by requests to save particular programmes, for example, the House Democratic leadership engineered a rule requiring an 'up or down' vote on the first Reagan budget. As Reagan Office of Management and Budget director David Stockman later explained, by precluding debate on specific provisions of that budget the rule 'virtually ensured easy passage' of it.³¹ It also provided individual House members with the much sought asset of 'deniability', permitting them to argue that their hands were tied on any particular effort at relief.

In the area of regulation, in part reflecting the essentially unconstructive character of its elite mandate, and in part reflecting the peculiarities of politics within the American administrative state, the administration did not propose major new legislative initiatives. It did, however, achieve much of what was desired by business by carrying through and in some measure accelerating Carter-led programmes of deregulation, and more generally by cutting back on staff and enforcement levels, appointing strongly pro-business figures to top executive positions, requiring more

extensive review of the economic effects of new regulatory initiatives, and offering business a welter of exemptions from existing rules.

These initiatives relieved business costs in three obvious ways. First, they reduced some of the direct costs of regulatory compliance. The general cost savings (accruing to both business and non-business consumers) from the deregulation of trucking, railroads, and airlines, for **example**—most of which should really be credited to the Carter administration, but the full dimensions of which only became visible under Reagan—are widely estimated at about **\$50 billion** annually. Trucking deregulation alone is estimated to save business an additional **\$30 billion** annually, as a result of the reduction in inventories it has **permitted**.³³ And the administration's estimate of 'savings' from its own **deregulatory** initiatives is about **\$15 billion** annually; to the extent this figure is credited at all, it should be credited almost entirely to **business**.³⁴ Second, they relaxed constraints on business in restructuring operations. In making decisions about plant relocations and shutdowns, for example, the fact that corporations needed to worry less about environmental concerns, and even less about the welfare of their existing workforces, gave them more room for manoeuvre, which may also be credited as (a largely incalculable) cost saving. Third, and most generally, the pace of new regulatory rulings slowed dramatically, dropping to about a fifth of the level during the Carter years.³⁴ In addition to reducing the instability of business' political environment, this saved firms the costs of fighting new 'intrusions' by the state.

Once again, Democrats acquiesced in this process. While they eventually challenged some of the more extreme instances of deregulation (almost always, it should be noted, because that deregulation shifted costs onto some other potential business **sponsor**³⁵), they approved the dramatically scaled back budgets at controversial agencies, and rubber stamped an endless succession of extremely conservative administration appointments to regulatory agencies (as well as to the federal judiciary that superintends agency **action**³⁶).

And then there was the military budget. Again with considerable support from the Democratic House, which approved **94 per cent** of the President's first term requests for new **arms**,³⁷ the administration sponsored the largest peacetime build-up in US history, and the longest build-up in wartime or peacetime since World War II. This build-up boosted real military spending nearly **40 per cent** between **1981** and **1986**, and marked a qualitative departure from the relatively stable peacetime spending levels of **1955-1980**. By **1986**, real spending was nearly **35 per cent** higher than the post-Korean War peacetime average, and almost **20 per cent** above the pre-Reagan peace-time **high**.³⁸

Apart from its sheer magnitude, three aspects of the composition of the military build-up are worth noting. First, it was 'weapons driven'. In

another major departure from past practice, investment in new weapons accounted for nearly **60** per cent of the growth in the military budget during Reagan's first term, while expenditures to ensure the 'readiness' of existing forces accounted for less than one third of the total.³⁹ This investment focus tended to lock military spending in at high levels, since for reasons of both law and politics weapons contracts are harder to break than other military spending commitments. In combination with the magnitude of the build-up, it also underscored the administration's use of military spending as a political slushfund, to acquire and maintain business support. And, looking to the future, the high share of the military budget going to investment will also almost surely shortly produce a 'readiness crisis', as the buying spree outpaces the military's capacity to service and deploy what has been bought.

Second, the bulk of the investment was devoted to extremely costly force modernization of questionable military value, and not, with the important exception of the Navy, to expanding the structure of US forces.⁴⁰ Over **1982-85**, for example, the administration spent **75** per cent more on aircraft than Carter had over **1977-80**, but bought only **9** per cent more planes.⁴¹ In addition to animating the legion of military 'reformers' who wish to get 'more bang for the buck', this emphasis on modernization—which has typically taken the form of adding to the technological complexity of weapons at the expense of their reliability—has become a more general issue of debate among military-minded elites.

Third, investment spending was focused on strategic and interventionist forces, rather than on conventional forces and Central Europe. The share of investment spending going to nuclear forces increased sharply from historic levels, rising to claim roughly one quarter of total investment funds.⁴² The balance of investment, going to general purpose forces, enhanced interventionist capabilities through an expansion of the Army's 'light' infantry divisions, and the development of a **600** ship Navy, including an increase from **12** to **15** aircraft carriers. Relatively small, lightly armed, and rapidly deployable, the new Army divisions are optimally suited for Third World contingencies.⁴³ And while considerable doubt has been expressed about the usefulness of costly aircraft carriers in supporting an amphibious assault against the Soviet mainland (one of their announced purposes), they too, in words of former Carter Undersecretary of Defence Robert Komer, are 'splendid for Third World conflict.'"⁴⁴

With its pronounced combination of commitments to nuclear and interventionist forces, the Reagan build-up thus tightened the deadly connection between Third World conflict and nuclear war. On the one hand, it sought to increase US capability to engage in nuclear blackmail against the Soviets. On the other, it developed greater capacities to intervene in the Third World, under the shadow of nuclear force.⁴⁵ In this too,

despite much quarreling over the appropriateness of certain aspects of the build-up, the administration's actions followed broadly from the elite concerns expressed in the LCD.

As this chronology of initiatives may suggest, the most important advances of the Reagan years came early in Reagan's first term. Thereafter, the administration's momentum slowed markedly. In **1981**, for example, the administration's success rate in Congressional roll-call votes on issues on which it stated a position was a stunning **82.4** per cent, the highest level since **1965**. It fell each year thereafter, however, dropping to **72.4** per cent by **1982**, and **56.5** per cent by **1986**, the lowest level in ten years.⁴⁶

What drove this process was not a decline in the President's much attended popularity. That was considerably *lower* during **1981-82**—lower, in fact, than the first two years of any other postwar president—than later in his term. Nor obviously, was it the result of 'Iranscam', since the decline set in well before that scandal broke. Rather, it reflected the progressive exhaustion of LCD politics as a source of mobilization. Having implemented a version of the LCD programme, the administration soon found that there was little agreement on anything else. Politics did not cease, but the large institutional changes of Reagan's first two years did.

The initiatives of the last five years have been largely directed to solidifying the earlier changes, or mopping up at their margins. The **1986** Tax Reform Act belongs in the former category. While providing some tax relief for the very poor, it consolidated further rate cuts for the rich, and finally jettisoned progressivity as even a principle of taxation, without adding to government revenues. The **Gramm-Rudman-Hollings** Act of **1985** belongs in both. Now mandating a balanced budget by **1993**, and specifying an interim series of declining deficit targets, its effect has been to consolidate long-term pressures on social programmes, while providing some relief to business concerns about chronic budget deficits. Characteristic of the 'late' Reagan period (from roughly **1983** onward), both of these initiatives came chiefly from Congress, not the administration. The progressive normalization of LCD politics has been associated with a reassertion of the normal Congressional politics of angling and manoeuvre, occasionally interrupted, as with the tax and budget balancing acts, by expressions of bipartisan commitment to the framework of discussion.

The limits of that framework, however, bring us to the second part of our question. Just what has the Reagan programme accomplished?

This question, of course, can be answered in different ways, and no answer offered now can hope to be complete, or fully convincing. As with the origin of Reaganism, however, so with its likely legacy—the core of the matter can be glimpsed by focusing on economic performance. The LCD arose as an elite response to domestic economic difficulties and

the relative decline of the US as a world economic power. It was not a programme of concerted economic restructuring, and it has *not* addressed the fundamental economic problems that first occasioned its appearance.

Consider domestic economic performance. On most important dimensions, there has been no improvement over the Carter years. Average GNP growth has slowed, dropping from 3.1 per cent over 1977-80 to 2.4 per cent over 1981-86. The latter figure, of course, reflects the huge recession early in Reagan's first term (just as it reflects the recession at the end of Carter's), and the expansion since that recession has been long-lasting. But it has long since slowed. Growth over 1985-86 averaged only 2.6 per cent, and is expected to be no greater in 1987. Employment performance shows a similar decline, while the civilian unemployment rate recently dropped to 5.8 per cent; over 1981-86 it averaged 8.1 per cent, more than a quarter above its 1977-80 average. Productivity growth remains flat, at barely 1 per cent annually. Rates of savings and investment are down, not up. Over 1981-85, the savings rate averaged 6.2 per cent, down from 6.9 per cent rate during the Carter administration (in 1985, the personal savings rate fell its lowest level in 36 years). And net business fixed investment, which averaged 3.9 per cent of net national product over 1977-80, dropped to 2.8 per cent over 1981-85.⁴⁷

The administration **has** been successful in curbing inflation, something of great importance to the holders of wealth. After running at 9.8 per cent during Carter's term, inflation has averaged 4.9 per cent during 1981-86.⁴⁸ A substantial decline in nominal interest rates is one reflection of this shift. But the drop in rates has been costly, purchased, in classic fashion, by high real interest rates and low utilization of capacity. After averaging 1.2 per cent over 1961-70, and -0.6 per cent over 1971-80 (a chief reason, obviously, why the banks were distressed under Carter), real interest rates averaged 4.7 per cent over 1981-85. And as a percentage of realized output, the gap between real and potential output in the economy is now roughly 9 per cent—a loss in GNP of roughly \$360 billion a year.⁴⁹

In fact, the only unambiguous achievement of the LCD programme has been rewarding the better off, within a context of generally stagnant living standards and a worsening distribution of income. Per unit of output, the after-tax profit rate for the non-financial corporate business sector has almost doubled over 1980-86, rising from 3.5 to 6.5 per cent.⁵⁰ Over the same period, profits from current production increased from \$177 billion to \$309 billion.⁵¹ And over 1980-85, the proportion of the families making more than \$50,000 a year (in 1985 dollars) increased by 20 per cent. In obvious ways, this underscores the continued attractiveness of this programme to business and the most prosperous Americans. But no one else has much reason to cheer. Median family income increased just one per cent over 1980-85, and the proportion of families earning less than \$5,000 a year increased by 25 per cent. Inequality increased. By 1985, the

top 20 per cent of American families were receiving 43.5 per cent of total income—the highest level on records that go back to 1947—while the bottom 60 per cent were receiving only 32.4 per cent, the lowest share on record.⁵²

Nor has there been an improvement in the international performance of the US economy over the past several years. Unable to reach an agreement on what to do about trade, and uninterested in pursuing co-operative strategies with other countries, the Reagan administration apparently resolved early on to deflate the rest of the world economy, and then deal with it again in a few years time from a position of renewed comparative strength.⁵³ But no such strengthening occurred. On virtually all the major dimensions of economic performance just noted, the US had been well exceeded by its major rivals. And the US trade deficit has quadrupled. Spurred on by the high dollar, and a huge drop-off in world demand, it rose from \$36 to \$166 billion over 1981–86.

Over the past two years, of course, the dollar has been falling, declining some 40 per cent against other currencies; the trade deficit, finally, is beginning to drop as well (but with some hesitation, as the record \$15.7 billion deficit in June 1987 attests⁵⁴). But the US tradeable goods sector is significantly weaker now than it was when Reagan took office, and to regain competitive position in the markets US producers have lost, the dollar will have to keep falling—below the level at which it began its recent rise, and then some more.⁵⁵ Absent compensating gains in employment, this means a further lowering of US living standards. And at some point, it may trigger speculative attacks of the sort that plagued Carter, leading the principal holders of dollars and their representatives at the Fed to induce another recession.

In fact, however, matters are worse than this bare inventory of 'accomplishments' suggests. For in addition to failing to improve US economic performance, the policies pursued during the past several years have worked to make future improvement, especially of democratic sort, more difficult. They have done so by locking in a set of fiscal constraints on government activities at home, and by piling up an enormous foreign debt.

At home, fiscal constraints revolve around the federal budget deficit.⁵⁶ On the revenue side, ERTA and TEFRA together codified a revenue loss of about \$600–650 billion over five years. At the same time, the administration proceeded with its enormous military build-up. Despite the trimming of social programmes, this meant that government spending far outpaced receipts; the former increased 46 per cent over 1981–86, the latter only 28 per cent. Accordingly, the federal deficit exploded. Beginning from a FY 1981 base of \$78 billion, or 2.6 per cent of GNP, it grew to \$208 billion in 1983 (6.3 per cent of GNP), and in 1986 peaked at \$220 billion (5.3 per cent of GNP).⁵⁷ In the aggregate, over FY 1981–86 the

Reagan administration incurred over **\$1** trillion in debt, more than doubling the gross debt of the federal government. Interest on that debt alone is now running at **\$130-\$140** billion each year, roughly **13** per cent of the federal budget.

This enormous growth in structural deficits has framed Congressional politics in recent years, exerting a profoundly conservative effect on the discussion of public policy. Given a continued commitment to keeping business taxes low, and sustaining high levels of military spending (as evidenced by the fact that only marginal cuts in the military budget have been implemented thus far), the deficits have had the effect of sharply constraining discussion about new domestic programmes—even amid growing recognition that such programmes are needed to reverse economic decline. This, indeed, seems to have been the intent of the administration in creating the deficits in the first place. As former Reagan Assistant Treasury Secretary Paul Craig Roberts has explained, from early in its term the administration was 'determined to use the deficit to focus Congressional attention on the **budget**'.⁵⁸

And the federal deficit, of course, destructively interacts with the economic damage done by massive trade deficits. Owing to them, over the course of just a few years the US has managed to eliminate the entire net investment position it had built up internationally since World War I. The world's largest creditor in **1981**, with net international assets of **\$141** billion, it became the world's largest debtor in **1985**. External debt now stands at about **\$300** billion, and is increasing at a rate of about **\$100** billion a year. The rate at which this external indebtedness grows in the future, of course, will largely be a function of movements in the current account, which in turn will be closely tied to movements in the trade **balance**.⁵⁹ And the trade deficit, as noted, is finally beginning to **shrink**—albeit, again, erratically, and at a much slower pace than what was predicted would follow from the fall of the dollar. But even on the assumption that the trade deficit drops to **\$100** billion annually by **1988** (exceeding current **projections**⁶⁰), by the end of the decade US foreign indebtedness will amount to at least **\$650** billion. More probably, it will be closer to a cool **\$1** trillion, or about a *quarter* of present GNP, and rising. Interest alone on such a sum—that is, the amount that would need to be paid simply to avoid falling deeper in debt—would be about 2 per cent of **GNP**, an enormous drain on an economy that has barely exceeded 2 per cent average growth over the past seven years. If, moreover, the pace of foreign lending slows, the damage will be much greater. In **1986**, foreign lending permitted the US to consume about **4** per cent more than it produced. If lending stopped completely, therefore, domestic consumption would need to fall by an additional **4** per cent. The implications for US living standards are just short of staggering. To put them in perspective, consider that a 2 per cent reduction in consumption (to service interest

alone) will be roughly equivalent to the impact of the 1981–82 recession, the deepest postwar recession in the US; a reduction of 6 per cent (interest payments, plus a halt to further lending), obviously, would be roughly three times as bad.⁶¹ Wherever the real figure lies, the trade deficit/external indebtedness problem will—like the domestic budget deficits, but with a less forgiving and more straightforwardly economic logic—exert a powerfully conservative pressure on political debate in the US.⁶²

The Politics of Dealignment

Finally, given the achievements of **Reaganism**, what is the likely course of American politics in the near term?

Largely, we think, a course quite similar to that pursued for the past several years. As just emphasized, LCD policies have done little to address fundamental economic problems in the US, and indeed have made most problems worse. But this broad economic failure hardly implies a rejection of LCD politics in the future. On the contrary, the economic failure of the LCD programme means that the pressures that first occasioned its emergence remain, and that the scope of a positive response to those pressures is even more constrained than it was in the late 1970s. Moreover, the most powerful actors in American society have little incentive to change their present course. At least in the short run, much of American business has clearly benefited from LCD policies. So too have the wealthier parts of the general population, who—within the generally depressed and class-skewed US system of electoral participation—are vastly over-represented within the active electorate.⁶³ Absent an economic catastrophe (certainly not to be ruled out), or a sudden upsurge from below, it thus seems very likely that the destructive muddling of the Reagan years will continue after Reagan.

Consider popular politics. One might think that the conditions in which much of the US population finds itself—stagnating living standards and rising inequality—would provide support for opposition to current policies, and a natural basis for a more constructive alternative to them. And in a way they do. We noted earlier that polls from the late 1970s and early 1980s show no conservative shift in policy views. Present polling data show, broadly, more of the same, but with a more pronounced liberalism,⁶⁴ and growing support for a more affirmative role for government in addressing policy issues.⁶⁵ But without the pooling of individual resources through popular organization, such opinions are politically powerless. And the disorganization of the American public has been increasing in recent years.

In electoral politics, despite much speculation by pundits, there has been no Republican realignment. The GOP has had almost no success in stabilizing, let alone enlarging, the electoral gains it made in 1980.⁶⁶ But neither has there been an upsurge in political participation and electoral protest. Instead, American electoral politics have continued to 'dealign',

with voting participation continuing to fall, and parties ever less capable of (or interested in) organizing political demand. Evidence of this delignment is not hard to find. During the 1986 Congressional elections, turnout was just 38 per cent of the potential electorate; excluding the southern states—long an anomaly within American politics because of their history of racial exclusion—this is the lowest midterm participation rate in 188 years. Split ticket voting reached record levels, and (reflecting both the declining significance of party labels, and the associated atrophy of electoral competition) a staggering 98 per cent of House incumbents, another record, were returned to office.⁶⁷

Outside the electoral arena, the picture is even bleaker. The most obvious sources of democratic pressure on business elites—labour unions—have been devastated in recent years. Union membership declined 16 per cent over 1980–86. Unions lost more than 3 million members, and union density among private non-agricultural workers dropped to 14 per cent, its lowest level in 50 years.⁶⁸ Community organizations of all sorts have also fallen on hard times, especially as social service cut-backs dug into their own budgets. Nor is there much marching in the streets, or other organized protest. The anti-nuclear opposition has waned with the same spectacular speed with which it waxed. And the strength of organized opposition to US policies in Central America has never approached the level that might be expected from the general opposition reflected in public opinion polls.

This is not to say that there are no signs of organizational life to the left of the LCD. The Reverend Jesse Jackson's candidacy has provided some focus for concerns about both domestic inequity and foreign intervention. There has been strong opposition to US policy in South Africa. And the Central America movement, whatever its obvious limits, has served as an important obstacle to the escalation of US intervention in El Salvador and Nicaragua. In what could be a very important development, there is also growing opposition within the labour movement to the Cold War policies of AFL-CIO's Washington leadership.⁶⁹ All this acknowledged, it is an understatement to say that there continues to be very little sustained popular pressure on business and party elites for a democratic departure in public policy.

Within the business community itself, all the internal divisions noted earlier continue, and there is little suggestion of interest in moving beyond the broad LCD framework enunciated a decade ago. To be sure, there has been *some* advance in debate since the late 1970s. As the range of industries devastated by imports has grown, so too have business demands for more hands-on intervention by government in the affairs of international commerce. There is, accordingly, less talk of 'getting the government off the backs of the people', and more of 'managed trade'. Reflecting such protectionist pressures, since taking office the administration (whatever its

rhetoric about free trade) has imposed major new quantitative restraints on more than a quarter of total US manufactured imports, roughly doubling overall import restrictions.⁷⁰ In 1987 Congress has also moved, in bipartisan concert, to provide added protection for a myriad of particular industries, and develop new machinery for reprisals against countries running surpluses with the US.⁷¹ As the international position of the US has continued to sink, there is as well a huge amount of talk about restoring US 'competitiveness' (the dominant Washington buzzword of the moment), and a general recognition of the need for some affirmative measures in such areas as education and research and development to begin that restoration.

But what is striking here is less the advance in the state of debate than the gap between that debate and the problems it purports to address. Faced with an enormous task of collective action, requiring the restructuring not only of domestic institutions but the system of management of the world economy, there is still little sign of a concerted, let alone constructive, response from the American business community, and again little pressure on it to attempt one. Accordingly, America's right turn continues, albeit under a shifting guise.

All this will be reflected in the 1988 presidential campaign. As we write, the precise details of that campaign are far from clear, including such important 'details' as who the candidates for the nominations will be. An unusually large number of candidates have already entered the field, and more entries are possible.⁷² Moreover, most of the campaigns that do exist are still in a preliminary stage of formation. It is therefore impossible to assess the specific interests involved in particular efforts, or even to learn what the official (let alone the actual) positions of the candidates will be. Despite these many uncertainties, however, it already seems virtually guaranteed that the main proposals of the major candidates will be framed within the assumptions of the LCD.

That this will be the case with the Republicans we take to be self-evident, or nearly so. Despite their many disagreements over trade and monetary policy, the precise level to which business taxes should sink, and the degree to which civil liberties should be invaded in the pursuit of 'family values' and a drug-free environment, Republicans remain solidly committed to a continuation of the Reagan arms build-up, more cuts in social programmes, further wage reductions for workers, the continued elimination of unions, and, globally, the pursuit of an aggressively interventionist foreign policy.

But it is very likely true of the Democrats as well. As emphasized in our discussion of Reaganism, the Democratic Party leadership provided key support for the major initiatives of the administration, embracing the policy realignment those initiatives described. More 'positively', *within*

the LCD framework the Democrats sought to position themselves as a business oriented alternative to Reagan's particular policies.

Reeling from their defeat in 1980, the leadership of the Democratic National Committee (DNC), then headed up by California banker and lawyer, Charles Manatt, spearheaded a series of reforms to bring business back into the party. Through the new Democratic Business Council and the Democratic Congressional Campaign Committee, party leaders offered business figures more 'access' to and say in party affairs—in exchange, of course, for more financial support. Individual candidates were strongly urged (they hardly needed the instruction) to tone down their 'anti-business' rhetoric, wealthy business executives were encouraged to run for office, and Democratic fundraisers were encouraged to participate directly in candidate selection. (This last now occurs with a stunning degree of openness. The current presidential bid of Tennessee Senator Albert Gore, Jr, for example, is acknowledged by the Gore campaign to follow from his 'selection' as presidential material by IMPAC '88, a loose coalition of prominent party donors, formed in the wake of the 1984 disaster, that is dedicated to promoting 'a more moderate, centrist position by the [Democratic] candidates'⁷³). Finally, in the area of internal governance, the DNC rolled back the nominating reforms of the early 1970s, aiming with considerable success to limit the influence of 'special interests'—a term of art that is understood to apply to blacks, women, and, in an only slightly more complicated way, organized labour, but to exclude business—and gain more control over the nomination process.⁷⁴

With the party's inner circles considerably wealthier (and quieter) than during the late Carter years, the Democrats also experimented with different messages to send to business and the shrinking electorate. In 1984, Walter Mondale ran on a platform of deficit reduction through social spending cutbacks and tax increases without tax reform. This did very poorly. In 1986, Democratic candidates for House and Senate had more success by running on the theme being 'cheap', pro-family, and anti-drugs. Now, as current DNC chair Paul Kirk tirelessly observes, 'the Democrats are back!' with a passel of proposals for the 1988 campaign.

Putting Jackson and Illinois Senator Paul Simon to the side for the moment (we return to them briefly below), and abstracting from the differences among the remaining mainstream candidates,⁷⁵ what the Democrats are back with can be gleaned from recent reports by two important party organizations. The first is the Democratic Leadership Council (DLC), an association of 150 Democratic office-holders, predominantly from the South and West, chaired by former Virginia governor Charles Robb. Established in the wake of the 1984 defeat to promote the 'centrist' views urged by major backers, it now constitutes something of a party within the party, and has advanced its own distinctive vision of Democratic politics. Of the present mainstream candidates—former Arizona

Governor Bruce Babbitt, Delaware Senator Joseph Biden, Missouri Congressman Richard Gephardt, Massachusetts Governor Michael Dukakis, and Gore—all but Dukakis are formally affiliated with the group, either as directors or members. The Democratic Policy Commission (DPC), on the other hand, was formed by Kirk in response to the formation of the DLC. It too represents an effort to promote centrist views, or, as one DPC official commented at the time its report on *New Choices in a Changing America* was published, 'to get out from under the false image that Democrats are weak on defence, have weird life styles and are big taxers and spenders'.⁷⁶ All of the mainstream candidates, including Dukakis, are members of it.

For anyone concerned about the prospects for democratic change in America, the public statements of these groups make for depressing reading. Both groups see foreign policy largely in East-West terms, as a battle between the US and the USSR. The latter is denounced as 'an empire in the classical sense' and 'the greatest threat to world peace and freedom',⁷⁷ whose 'aggression, real and potential, remains the most pressing danger to America and her allies and, indeed, to world peace'.⁷⁸ Both, as might be expected from such language, are also aggressively 'strong' on questions of military force. While critical of Reagan's opposition to arms control, both affirm Democratic commitments to the further modernization of strategic forces, and assail the administration for its failure 'to sufficiently restore America's conventional forces'.⁷⁹ (Neither group, it might be noted, indicates the magnitude of the costs to the US of new conventional programmes—beyond the bare acknowledgement that 'nuclear weapons are far less expensive than conventional forces'⁸⁰). The DLC criticizes the administration as well as for an insufficient dedication to developing special operations forces 'trained to operate in the twilight of irregular and political warfare'⁸¹ in the Third World. And while both groups criticize the inefficiency with which the administration has spent more than \$1.5 trillion on the military, both emphasize as well their essential agreement with the present administration on the *ends* of foreign policy—which from the past several years can only be taken to be the re-establishment of US hegemony over the rest of the world. Underscoring this 'unanimity on ends', the DPC approvingly quotes long-standing Cold Warrior Henry Jackson's maxim that 'in matters of national security, the best politics is no politics'.⁸²

Beyond such military concerns, both groups are preoccupied with the restoration of American competitiveness. To achieve this goal, they urge, the US should pursue several initiatives.

First, it should use its economic power to bully other countries into accepting its exports. Recognizing the 'leverage' provided by the 'powerful allure' of the US market, the DLC argues that 'sparing but strategic use of our market power can help the US act as a regulator of the international

free trade **system**.⁸³ Second, it should reduce the federal budget deficit. Unfortunately (perhaps because the news would be so unwelcome) the Democratic proposals are nearly silent on how this should be done. Third, it should convert itself into a supply-side 'opportunity' society (the word 'opportunity' is used extensively in both groups' reports, while 'redistribution' is strenuously avoided), with the opportunities provided by business, and government's role defined largely in terms of facilitating business enterprise and restructuring. Apart from new programmes in research and development and infrastructural renewal, for the DPC and DLC this amounts to re-conceptualizing most non-military spending as 'investments in human capital'. Both urge heavier spending on education and worker re-training programmes (but are characteristically vague on how much should be spent). Both also emphasize the need for 'teamwork' within the firm, and 'flexibility' (which is the other key buzzword of Washington politics) in worker attitudes, behaviours, and wages.

What is missing from this neo-liberal 'high-flex'⁸⁴ prescription for social policy are any guarantees for workers, or incentives to their organization. Neither the DPC nor the DLC, for example, says anything about promoting worker organization into unions. Nor, in accord with most recent Democratic politicians, does either say anything about promoting full-employment. And neither suggests raising—through a heightened minimum wage, or national health insurance, or other measures—the floor of generic social protections in the newly flexible **environment**.⁸⁵ Instead, both seek to sweeten 'flexibility' by changing the organization of existing worker benefits. Typical is the proposal made by both groups for increasing, through minor tax innovations, the portability of worker pensions. This will appeal to better-off workers, who already have pension benefits and wish to move them. To a welcome degree—although in tension with the 'teamwork' idea—it would also detach the welfare of individual workers from the welfare of individual firms. But it will do nothing for workers who do not already have benefits. And like other elements of the Democrats' new social policy it seems, rather perniciously, to be offered as a substitute for, rather than a complement to, an active, society-wide labour market policy of general worker benefit. Within the loose labour markets that can be expected in the absence of such a policy, the DPC and DLC programme of 'flexibility' can hardly fail to be a vehicle for general reductions in wages and benefits. Business concerns about the 'wage gap' between US and Third World workers may be allayed by such measures, and the best-off workers may gain, but the vast bulk of the working population, let alone the unemployed and underemployed, will not be well served.⁸⁶

To summarize, the mainstream Democratic proposals offer a redefinition of national purpose around 'winning' in international competition. This 'victory' is to be achieved in part through continued aggression toward

the rest of the world, and in part—despite all the talk of teamwork between capital and labour—through continued attacks on the working population at home. While they represent a more concerted approach to national restructuring than the original LCD programme, as a package the mainstream Democratic recommendations sit squarely within familiar LCD premises.

Before considering the difficulties of this programme in more detail, we should note that the mainstream vision is not shared by all the Democratic candidates. The most obvious dissenter, of course, is Jesse Jackson, who in one of the anomalies of the present campaign is the leading Democratic candidate in all national public opinion polls. Breaking sharply with the LCD, Jackson is calling for a shift away from the Cold War framework of international order, deep cuts of 25–33 per cent in the \$300 billion military budget, a full employment programme, and a trade policy geared to promoting international worker rights. In contrast to the mainstream Democratic strategy of dividing the working population, peeling off just enough support to float another business-oriented programme, Jackson's campaign has been active, particularly in the South and Midwest, in promoting multiracial populist coalitions that actually attempt to unite workers with one another.

But it seems very likely that Jackson will soon fade as the leader of the Democratic pack, if not by being directly overtaken by some other individual effort, then by some complicated winnowing and consolidation among the other candidates. Apart from the obvious liability of being black, Jackson has the only slightly less obvious liability of being an anathema to virtually all of the American business community. Accordingly, the present resources of his campaign, which has been informally running for at least five years, are only about a tenth of what Dukakis (the leading Democratic fundraiser) has accrued in a few short months.¹⁷ Lacking resources, and repeatedly unsettled by Jackson's deliberately 'creative' and charismatic style of 'management', the campaign has also suffered from serious organizational difficulties, even in those communities that would seem to provide it with a natural base. And even if these considerable difficulties were somehow surmounted, and the campaign became truly threatening to mainstream elites, it is hard to believe that it would be permitted to continue. In such an eventuality, for example, the press and other organs of established opinion can be counted on suddenly to 'discover' that Jackson's views on a wide range of domestic issues are highly controversial, that his suggestion that the military budget be cut by a whopping \$100 billion lacks support among traditional experts on national security, or that he holds some view, gets money from some source, or is advised by some set of leftist policy analysts, unworthy of a 1980s candidate.

There are many fine calculations to be made here by Democratic elites.

While Jackson has his opponents in the black community, which of course has its own complicated internal politics, he does have considerable power. Alienating him would risk further abstention among black voters, currently the strongest and most consistent supporters of the Democratic Party. At the same time, party officials cannot let Jackson get 'out of hand' and actually climb to the top of the ticket (or, as Jackson recently proposed, to the second spot on the ticket). But the Democrats have much experience at such damage control, and at present it seems safe to bet that whatever concessions finally need to be made to Jackson, he will not get the nomination.

Less distinctly left of the mainstream than Jackson, but still outside it, is Paul Simon. On foreign policy, Simon is an exceptionally strong advocate of arms control, proposes cuts of roughly **\$20 billion** annually in existing weapons systems, and wishes to reduce significantly US military commitment, in Western Europe (which presently run at about **\$130 billion** a year), while pressuring the Japanese to pay for US protection of sea lanes in the Middle East. On domestic policy, he has the strongest pro-labour record of all the Democratic candidates who served in Congress, and was a major advocate of higher spending on education well before such advocacy became fashionable in neo-liberal circles. Unlike all the other candidates but Jackson, Simon also has a specific, albeit very limited, programme for full employment. Somewhat anomalously, he couples these liberal social policy commitments with fiscal conservatism, with an exception built in for recessionary periods; for example, he supports a constitutional amendment to balance the budget. He proposes to close the current deficits, without raising taxes, through a combination of military spending cuts and reductions in unemployment.

This is an interesting package, and Simon is not without potential popular appeal. With the primary season beginning in Iowa, a neighbouring state of Simon's Illinois, it is even possible to imagine some sort of popular bandwagon developing for him. But Simon does not have the sort of solid support among one cohesive electoral constituency that has been the key to Jackson's longevity as a candidate. While he will surely pick up support from some unions, he will also not enjoy the wall-to-wall labour support that helped Mondale through the primaries in 1984.⁸⁸ And as a senior Simon staffer recently admitted, 'business will be a **problem**'.⁸⁹ It is hard to imagine Simon gaining much elite support for military reductions of the scope he is (sometimes more, sometimes less, explicitly) proposing. And beyond his quite limited proposal for full employment—an **\$8 billion** dollar programme that offers **3 million jobs** at **\$5,500** a year, or about half the poverty line for a family of four⁹⁰—it is also hard to imagine much business support for the sorts of avowedly New Deal-styled social policies for which he offers himself as spokesman. Perhaps reflecting this, Simon's campaign treasury is the second lowest among the major

Democratic candidates, just above Jackson's. Assuming he preserves the distinctly liberal tone of his campaign, he will, like Jackson, almost certainly be denied the nomination.⁹¹

Returning then to the mainstream candidates, we enter two final points about their proposals. We suggested above that the Democrats' vision of programmatic change was largely malign. It is. But insofar as it has any merit, it is also incoherent. First, its implementation is severely constrained by other **deep-seated** Democratic commitments, a point that can be highlighted by considering in more detail the fiscal constraints on implementing the better elements of the neo-liberal social policy, constraints which are themselves a legacy of the last several years of policy commitments, and ongoing commitments to the LCD. Second, even on the (very improbable) assumption that these elements were implemented, their effectiveness for economic renewal is undermined by their incomplete attention to the sources of current difficulties. This is most evident in the **Democrats'** stunning lack of attention to the problems of global restructuring, without which almost any effort at domestic renewal is doomed. To put the matter bluntly, to the (limited) extent that the mainstream Democratic proposals have any merit, they cannot be paid for. And to the (very limited) extent that they can be paid for, they will not **work**.

The problem with implementation is straightforward. Whatever suggestions for domestic policy—and there are certainly good and sufficient reasons for new initiatives in education, welfare policy, worker training and retraining, child care, research and development, regional development, and infrastructural renewal—they will need to be paid for. And while some discussion has focused on the need to control the costs of new policies through re-targeting existing programmes, or privatization, or joint public-private ventures, or by encouraging state and local experimentation, some additional federal monies will be required.

Just how much is required is a matter of dispute, but it is generally agreed that the costs of domestic economic renewal are high. Economist Lester Thurow, for example, estimates that an additional \$52 billion is needed each year for education and worker training, \$9 billion for research and development, and \$50 billion for renewing the US infrastructure of roads, ports, bridges, and **tunnels**.⁹² A 1984 report by the Joint Economic Committee offered a more conservative estimate on the infrastructure, but still thought \$30 billion would be required **annually**.⁹³ And the now defunct campaign organization of former Colorado Senator Gary Hart, which was intending to make a 'strategic investment initiative' the **centre-piece** of its domestic policy proposals, estimated that spending on education, job training, and technology commercialization alone (that is, not counting infrastructural investments) would require about \$100 billion more annually than is being provided now. On the Hart campaign's (never released) proposal, the federal government would have picked up roughly

\$20 billion of this, with the rest provided by state and local governments and businesses.⁹⁴

Whatever the precise estimate (and there are no such estimates coming from present candidates), the question of where to find resources of these dimensions naturally arises. Here again endless uncertainties intrude. But it seems clear that within the framework of LCD politics embraced by the Democrats that question has no easy answer, and perhaps no answer at all.

In view of the enthusiasm for deficit reduction shared by the current crop of candidates, a discussion of constraints naturally proceeds from the Gramm-Rudman-Hollings (GRH) targets for deficit shrinkage. The Congressional Budget Office now projects that the federal deficit will decline by FY 1990 to \$108 billion, which is \$8 billion above that year's GRH target of \$100 billion.⁹⁵ Putting aside changes in this projection resulting from shifting economic conditions and the FY 1989 budget, and assuming that present commitments to deficit reduction continue, the first task of a new administration will thus be to produce a budget that reduces the deficit by some \$8 billion. New initiatives will be impossible, unless revenue for such initiatives can be raised by some combination of additional cuts in current programmes and tax increases over and above those that are necessary to close the projected budget gap.

Consider the problem of cuts. Since roughly 70 per cent of current government spending is devoted to the military, interest payments, social security, and medicare, proposals for cutting existing spending inevitably concentrate on the military budget and the major social insurance programmes. But for reasons already suggested, large reductions in the military budget are improbable. The record expansion engineered by the Reagan administration was focused on investment in new military hardware, and the elimination of such hardware is never easy. Furthermore, new investment brings costs for operations and maintenance in its wake, and an unwillingness to pay those costs will be assaulted as a failure to maintain military 'readiness'. These matters aside, the mainstream Democrats, as the earlier review of their military views might suggest, have already rejected significant military cuts as a source of new revenue. The DLC, for example, has recently emphasized that while additional 'cuts in domestic and defence spending will be possible. . . the only places left to look for really significant deficit reduction are entitlement programmes and taxes'.⁹⁶

Of course, even within the framework of standing Democratic commitments on military spending, smaller reductions are possible and these can provide some narrow space for manoeuvre. For example, annual operation costs for the two new carrier battle groups now projected in military plans are estimated at \$7 billion.⁹⁷ A decision not to buy them (something that many Democrats recommend) would thus free \$7 billion to finance domestic initiatives, almost enough to pay for Paul Simon's

minimal employment scheme. And virtually no cuts at all are needed to float Democratic New York Senator Daniel Patrick Moynihan's recent proposal for welfare reform. He is calling for the very modest expenditure of only \$2.7 billion over five years, an initiative that was explicitly introduced as cheap enough to be affordable even under the severe fiscal constraints of present LCD commitments.⁹⁸ But the limited nature of these programmes only underscores the general problem. Simon's proposal, after all, only liberates the unemployed into poverty. Moynihan's does a bit less. Programmes with more comprehensive coverage, or higher wages or benefits, would require more money, and that seems unlikely to come from the military budget.

Paying for new programmes through reductions in current social insurance programmes is still less plausible. It is very unlikely that a Democratic administration will be willing to sustain the political damage that would come of attempting significant Social Security reductions; thus proposals for medicare reductions are much more likely. But here too there are serious problems. The FY 1988 Senate budget proposal (some version of which will be adopted) already calls for \$5.7 billion in medicare cuts over FY 1988-91—just to meet deficit reduction targets.⁹⁹ In addition to the normal political costs of health care reductions, then, especially strong resistance to further medicare cuts can be expected.

For all these reasons, there will almost certainly be no significant new domestic initiatives without tax increases. But here still other problems loom. There has *never* been a significant peacetime increase in individual income taxes in the US, and with the major (inflation indexed) rate reductions of the 1986 Tax Act coming on line, resistance to new income taxes is likely to be intense. Recognizing this, most of the current tax discussion centres around additional excise taxes, with some talk of moving to a national consumption or value-added-tax." But excise taxes on select items have certain natural limits as revenue raisers. Personal consumption tax proposals (usually resisted by would-be borrowers), value added tax and economically similar national sales tax proposals (usually resisted by state taxing authorities as encroaching on their traditional tax base) have been repeatedly suggested, without success.

With these problems as background, we emphasize again that deficit reduction itself will almost surely require some new revenue (as in the FY 1988 Congressional budget resolution, which calls for \$64 billion in new taxes over the next three years). It therefore seems unlikely that such instruments can provide, soon, the *additional* revenue needed for large new domestic programmes. Finally, should consumption taxes (as we expect) eventually be relied on much more heavily than they are now, the effects on income distribution would be undesirable. Unless offset by progressive schemes of tax credits, which are *not* being generally considered within the parties, massive consumption taxes will be

massively *regressive*.¹⁰¹ This effect is not at odds with the mainstream Democrats' other social commitments. But it is at odds with what we are considering here, namely the implementation of the *desirable* parts of their programme.

Even putting such implementation problems to the side, however, the second point—bearing on the ineffectiveness (and worse) of the Democrats' proposals for economic restructuring—remains. The Reagan programme for restoring US hegemony has largely failed. The US has more weapons than when Reagan took office, but it also has been severely weakened as an economic power, and the 'mismatch' alluded to above between the United States' role in the international monetary system and the level of its economic performance is greater than ever. Once again, what is needed is more, not less, international co-operation, and less, not more, of a burden on the US international role. But the Democrats are almost entirely silent on this need, and seem intent instead on preserving the illusion that the US can simply bully the rest of the world into making it strong.

This is an extraordinarily dangerous illusion. For 'competitiveness' to be other than a prescription for mounting global tensions and further declines in living standards, it needs to be put squarely in the context of raising world demand. Otherwise, with trade deficits and surpluses summing to zero world-wide, the major exporting countries will simply be locked in an ever more vicious war with one another for shares of a stagnant market. Moreover, this is a 'war' which—assuming on the one hand that reasonably peaceful military conditions are preserved, and on the other that a productivity miracle does not occur in the US overnight—the US will almost certainly *lose*. But for demand to rise, both short and longer term programmes of international reconstruction are needed. The Third World, now crushed by a massive \$1 trillion debt, needs to be relieved of that burden. And the world economy, still strapped to the fortunes of a declining currency, the US dollar, needs to find a new monetary order.

On such matters the Democrats are offering nothing approaching what is needed. The most ambitious programme of Third World debt relief, promoted by New Jersey Senator Bill Bradley, proposes a maximum of \$51 billion over three years, with the aid conditioned on action by Third World countries to 'liberalize' their economies. The Bradley Plan has thus far gone nowhere in Congress, but even if it were pursued it would be woefully inadequate. On UN estimates, by 1990 at least \$80 billion in annual transfers will be needed for the Third World to achieve 5 per cent growth. Roughly double what is being provided now, and about \$23 billion more than the \$17 billion annual increment proposed by Bradley, this is itself not enough even to maintain current levels of employment in the LDCs.¹⁰² To do that, much more would be required. For example, to achieve something approximating full employment—

which would be critical not only to achieving major gains in living standards, and integration into the rest of a more virtuously ordered (high growth, high productivity gains, high employment) world economy, but also to achieving a significant reduction in the US trade deficit—something of the order of \$100 billion annually would be needed,¹⁰³ or an increment of assistance more than three times that proposed by Bradley, whose plan is commonly described as 'radical' and 'visionary'.

On international monetary reform the picture is even bleaker. While there is vague talk among more liberal Democrats about the need to do something about the problem, there are no concrete proposals for changes in existing practices, let alone institutional restructuring. There is thus nothing to evaluate. Nor is serious attention being given to curbing the rampant currency speculation (now running at about 30 times the volume of world trade¹⁰⁴) that vastly exacerbates monetary disorder. As might be expected, the bare *consideration* of serious capital controls remains a solemn taboo.¹⁰⁵

In understanding the Democrats' broad lack of constructive suggestions for international initiatives, of course, notice must also be given to the behaviour of other states. Any constructive policy of international co-ordination would, for example, obviously require the co-operation of West Germany and Japan, and their behaviour in recent years has also been less than helpful. Both have chosen to pursue exceptionally tight monetary policies during the 1980s. Both have also pursued contractionary fiscal policies, shrinking their public sector budget deficits from about 4 to 1 per cent of their GNP. And in both, in 1986 and early 1987, the growth in industrial output has been flat or negative, while GNP growth has slowed to about 2 per cent. While some of this policy mix can be explained as a consequence of pressures imposed by US policies (for example, sky-high interest rates), clearly much of it derives from the destructive agendas of those countries' own business elites. In the world political economy of the late 1980s, as during the late 1970s, the *snuve qui peut* policies of the major capitalist powers severely constrain the possibilities of any reasonable co-ordination among them. Still, the fact that the Democrats are barely even considering such matters—that is, the fact that they remain firmly committed to an illusory vision of American global dominance—is striking.

Given all this, the near term future of American politics appears quite grim. While predictions can always be overtaken by events, and while some catastrophic shock to the American system of the sort that would dislodge present policy commitments is possible, it appears that the next few years will see a continuation of 'politics as usual' within the framework of the LCD. What that now means at the level of mass politics is mass disorganization, stagnating living standards, and rising inequality. What it means at the level of elite politics is continued squabbling and

manoeuvre, bounded by the locally rational assumptions of a cruel and destructive policy mix. And what it means for the 1988 elections is that whoever wins, most of the American people, and with them much of the world, will lose.

NOTES

1. 'Excerpts from Speech by President to Forum', *New York Times*, 24 April 1986. Reagan's remark came in a speech made 23 April 1986 to the International Forum of the United States Chamber of Commerce.
2. The following analysis of the 'right turn' in American public policy is drawn from Thomas Ferguson and Joel Rogers, *Right Turn: The Decline of the Democrats and the Future of American Politics* (New York: Hill & Wang, 1986), chapters 1-3.
3. See the review of survey data in Ferguson and Rogers, *Right Turn*, chapter 1, and references cited therein.
4. CBS News/*New York Times*, 'Post-Election Poll, November 8-14, 1984', p. 4, cited in Seymour Martin Lipset, 'The Elections, the Economy and Public Opinion: 1984', PS, vol. 18, no. 1 (winter 1985), pp. 29-30.
5. Harris poll, cited in Seymour Martin Lipset, 'The Economy, Elections, and Public Opinion', *The Tocqueville Review*, vol. 5, no. 2 (fall-winter 1983), p. 451.
6. A useful review of public attitudes on US activities in Central America is provided in Caribbean Basin Information Project, *On a Short Fuse: Militarization in Central America* (Washington, DC: Caribbean Basin Information Project, 1985), section 5. With the recent ups and downs of the Iran-Contra affair, opinion has been more volatile. A majority, however, continues to oppose the policy. See *New York Times*/CBS News Poll reported in 'President May Seek More Contra Aid', *New York Times*, 20 July 1987. Regarding attitudes toward the Soviet Union, which the authors describe as a new spirit of 'live and let live pragmatism', see Daniel Yankelovich and John Doble, 'The Public Mood: Nuclear Weapons and the USSR', *Foreign Affairs*, vol. 63, no. 1 (fall 1984), pp. 33-46.
7. See the discussion in Ferguson and Rogers, *Right Turn*, pp. 34-6; Arthur H. Miller and Martin P. Wattenberg, 'Throwing the Rascals Out: Policy and Performance Evaluations of Presidential Candidates, 1952-80', *American Political Science Review*, vol. 79, no. 2 (June 1985), pp. 359-72; D. Roderick Kiewiet and Douglas Rivers, 'The Economic Basis of Reagan's Appeal', in *The New Direction in American Politics*, eds. John E. Chubb and Paul E. Peterson (Washington, DC: The Brookings Institution, 1985), pp. 69-90.
8. See Ferguson and Rogers, *Right Turn*, for an elaboration of this argument, as well as criticism of alternative accounts of the New Deal's collapse. For an analysis of the rise of the New Deal system itself, see Thomas Ferguson, 'From Normalcy to New Deal: Industrial Structure, Party Competition and American Public Policy in the Great Depression', *International Organization*, vol. 38, no. 1 (winter 1984), pp. 41-94.
9. All data are from Edward F. Denison, *Trends in American Economic Growth, 1929-1982*, (Washington, DC: The Brookings Institution, 1985), pp. 4-6. The productivity measure used is annual growth in income per person employed.
10. Bruce R. Scott, 'US Competitiveness: Concepts, Performance and Implications', in Bruce R. Scott and George C. Lodge, (eds.), *US Competitiveness in the World Economy* (Boston: Harvard Business School Press, 1985), p. 30.
11. *Economic Report of the President, 1987* (Washington, DC: GPO, 1987) [hereinafter *ER*], Table B-29. Given the reams of distracting commentary on family

incomes in recent years, it may be worth emphasizing that this decline in family incomes was *not* merely a statistical artifact of the rise in families headed by women, or the entrance of millions of new workers onto the job market. Older male workers also suffered an unprecedented (in the postwar period) decline in material welfare. Passing from age 40 to 50 during the **1950s**, male workers experienced a 36 per cent rise in income; over the **1960s**, a 25 per cent rise; but over **1973–83**, a 14 per cent *decline*. This is not to say that the drop-off in the earnings of young workers was not worse; it was. Using the same calculations for a young male worker passing from age 25–35, Levy and Michel report an income rise of 118 per cent in the **1950s**, 108 per cent in the **1960s**, and only 16 per cent over the post-1973 decade. For both sets of calculations, see Frank S. Levy and Robert C. Michel, 'An Economic Bust for the Baby Boom', *Challenge*, vol. 29, no. 1 (March/April 1986), pp. 34–5.

12. *ER*, Table B-42. We should note that the fall in earnings over the period, while unmistakable, was not uninterrupted.
13. *ER*, Tables B-1, B-2.
14. Various notes and qualifications are needed at this point. First, we are not arguing that US firms became 'competitive' in the **neo-classical** sense, only that they suffered a loss in price-making power (for discussion see Ferguson and Rogers, *Right Turn*, p. 244, fn. 8). Second, while the precise scope of international pressures may be disputed, it seems fair to say that *at least* 70 per cent of US firms felt these pressures by the end of the 1970s. See Lester C. Thurow, 'Beyond Protectionism', *World Policy*, vol. 3, no. 1 (winter 1985–86), p. 160; Scott, 'Competitiveness', p. 28.
15. The language in this paragraph closely follows that in Joshua Cohen and Joel Rogers, *Rules of the Game: American Politics and the Central America Movement*, (Boston: South End Press, 1986), pp. 36–37.
16. Comparing the 1960–73 period with 1973–80, the annual growth of Gross Domestic Output **Product** among the developed countries dropped from 5 to 2.4 per cent. Among developing countries, by contrast, the drop was only from 5.8 to 5.4 per cent. Robert Z. Lawrence, *Can America Compete?* (Washington, DC: The Brookings Institution, 1984), p. 24.
17. Richard P. Mattione, *OPEC's Investments and the Future of the International Financial System* (Washington, DC: The Brookings Institution, 1985), p. 32.
18. See the discussion in William Cline, *International Debt and the Stability of the World Economy* (Washington, DC: Institute for International Economics, 1983), pp. 14–32. English readers should note that throughout this article we use US conventions on 'billion' and 'trillion', treating the former as a thousand millions, and the latter as a million millions.
19. Charles Lipson, *Standing Guard: Protecting Foreign Capital in the Nineteenth and Twentieth Centuries* (Berkeley: University of California Press, 1985), p. 98.
20. Fred Halliday, *The Making of the Second Cold War*, 2nd ed. (London: Verso, 1986), pp. 85, 92. Following Halliday, we are including on this list Guinea-Bissau (1974), Ethiopia (1974), Cambodia (1975), Vietnam (1975), Laos (1975), Mozambique (1975), Cape Verde (1975), Sao Tome (1975), Angola (1975), Afghanistan (1978), Iran (1979), Grenada (1979), Nicaragua (1979), and Zimbabwe (1980).
21. For a useful discussion of the **Nixon Doctrine**, see Richard E. Feinberg, *The Intemperate Zone: The Third World Challenge to US Foreign Policy* (New York: W.W. Norton, 1983).
22. See the more detailed discussion of this point in Ferguson and Rogers, *Right Turn*, pp. 94–99.
23. For discussion of the business mobilization around arms during this period, see

- Jerry W. Sanders, *Peddlers of Crisis: The Committee on the Present Danger and the Politics of Containment* (Boston: South End Press, 1983); Thomas Ferguson and Joel Rogers, 'The Reagan Victory: Corporate Coalitions in the 1980 Campaign', in Ferguson and Rogers, eds., *The Hidden Election: Politics and Economics in the 1980 Presidential Campaign* (New York: Pantheon, 1981); idem., *Right Turn*, chapter 3. For an important statement of US and West European 'liberal' elite opinion during the period, see Karl Kaiser, Winston Lord, Thierry de Montbrial, and David Watt, *Western Security: What has changed? What should be done?* (New York: Council on Foreign Relations, 1981).
24. Robert E. Lipsey and Irving Kravis, 'The Competitiveness and Comparative Advantage of US Multinationals, 1957-1983', National Bureau of Economic Research (NBER) Working Paper No. 2051 (Cambridge, MA: NBER, 1986).
 25. While the broad conclusion indicated here is correct, we should note that the Fed eased off on the money supply in the months before the 1980 election. Afterward, it tightened again, not to ease up until Mexico's threatened debt default in August 1982.
 26. The relative fortunes of the parties during the late 1970s can be tracked, albeit imprecisely, through the growing difference in the receipts of their major committees. Measured in constant (1985) dollars, the difference in party receipts (always favouring the Republicans) was \$53 million in 1976; \$129 million in 1978; \$157 million in 1980. See Michael J. Malbin and Thomas W. Skladony, 'Appendix: Selected Campaign Finance Data, 1974-1982', in Michael J. Malbin, ed., *Money and Politics in the United States; Financing Elections in the 1980s* (Chatham: Chatham House Publishers, 1984), Table A.9. (We have used the consumer price index as our deflator). The data on 'independent' expenditures on presidential candidates in 1980, arguably a more sensitive measure of the distribution of elite support, are even more striking; they show independent expenditures for Reagan as 382 times those for the incumbent, Jimmy Carter. See '10 Million Spent for Reagan in 1980', *New York Times*, 29 November 1981.
 27. Perry D. Quick, 'Businesses: Reagan's Industrial Policy', in John L. Palmer and Isabel V. Sawhill, eds., *The Reagan Record: An Assessment of America's Changing Domestic Priorities* (Cambridge, MA: Ballinger, 1984), pp. 298-300.
 28. House Budget Committee, 'President Reagan's Fiscal Year 1987 Budget', February 1986.
 29. Robert S. McIntyre and Dean C. Tipps, *Inequity and Decline* (Washington, DC: Centre for Budget and Policy Priorities, 1983), Figure 6, with assumptions reported at p. 7.
 30. David Stockman, *The Triumph of Politics: Why The Reagan Revolution Failed* (New York: Harper and Row, 1986), p. 174.
 31. *Ibid.*
 32. For both estimates, see Timothy B. Clark and Richard Corrigan, 'Ronald Reagan's Economy', *National Journal*, 13 December 1986, p. 2999.
 33. See the critical discussion of the Reagan estimate in George C. Eads and Michael Fix, *Relief or Reform: Reagan's Regulatory Dilemma* (Washington, DC: Urban Institute Press, 1984), pp. 237-54.
 34. Jeremy Rabkin, 'The Reagan Revolution Meets the Regulatory Labyrinth', in Benjamin Ginsberg and Alan Stone, eds., *Do Elections Matter?* (Armonk: M.E. Sharpe, 1986), p. 227.
 35. Calculations of this sort are usually neglected-in commentary on regulatory battles, which are almost always characterized as fights between 'business' (or some sector thereof) and a faceless 'public'. In fact there are innumerable

conflicts *within* the business community over the appropriate objects and scope of regulation, and these well-financed disputes commonly figure prominently in regulatory reform. The legislated deregulation of transport under Carter, for example, which is often portrayed as a triumph of populist politics, is better understood as an **intra-business** struggle between protected sectors and those no longer willing to pay the costs of that protection. So too with challenges to deregulation under Reagan. See, for example, the conflict between car manufacturers and insurance companies over the repeal of auto safety rules displayed in *Motor Vehicle Manufacturers Association of the United States, Inc. v. State Farm Mutual Automobile Insurance Company*, 463 US 29 (1983), probably the most important Supreme Court statement offered during Reagan's time in office on the limits of executive-led deregulation.

36. By the end of his second term, Reagan will have appointed roughly half the federal judiciary of the United States. His appointments have been overwhelmingly conservative and pro-business—as well as overwhelmingly white, male and rich (about a quarter of them are millionaires). While his nomination of Judge Robert Bork generated considerable heat, Reagan will also very likely have consolidated a conservative majority on the Supreme Court. We do not explore this important matter here, but it is apparent that such appointments (which until very recently went unchallenged by the Democrats) have helped to institutionalize LCD politics during Reagan's term, and will provide yet another source of conservative pressure in years to come.
37. William W. Kaufmann, *A Reasonable Defense* (Washington, DC: The Brookings Institution, 1986), p. 25.
38. By 'real military spending' we mean outlays in 1988 dollars in the National Defence (050) account. All data come from Executive Office of the President, Office of Management and Budget, *Historical Tables, Budget of the United States Government, Fiscal Year 1988* (Washington, DC: GPO, 1987) [hereinafter *HT*], Table 6.1. While the text focuses in general on Reagan's first term, we have included 1986 spending because nearly 40 per cent of that spending was a result of obligations incurred prior to 1986. Further, we are excluding 1954 from our peace-time calculations because the post-Korean demobilization had only just begun. Thus by 'peace-time' we mean 1955–1965 and 1973–1981. For discussion of the evolution of the postwar military budget in the US, see Joshua Cohen and Joel Rogers, *Inequity and Intervention: The Federal Budget and Central America* (Boston: South End Press, 1986), pp. 5–11.
39. Richard Stubbing, 'The Defense Program: Buildup or Binge?', *Foreign Affairs*, vol. 63, no. 4 (spring 1985), p. 858.
40. See Kaufmann, *Reasonable Defense*, pp. 41–43; Stubbing, 'The Defense Program', p. 857.
41. Kaufmann, *Reasonable Defense*, p. 43 (Table 4–8).
42. Stubbing, 'The Defense Program', pp. 857–58.
43. See, for example, Michael R. Gordon, 'The Charge of the Light Infantry—Army Plans Forces for Third World Conflict', *National Journal*, 19 May 1984, pp. 968–72; Barry R. Posen and Stephen W. Van Evera, 'Reagan Administration Defense Policy: Departure from Containment', in Kenneth A. Oye, Robert Lieber, and Donald Rothchild (eds.), *Eagle Resurgent? The Reagan Era in American Foreign Policy* (Boston: Little Brown, 1987), pp. 75–114. For further discussion and references, see Cohen and Rogers, *Inequity and Intervention*, pp. 28, 47–8.
44. Robert W. Komer, *Maritime Strategy or Coalition Defense?* (Cambridge, MA: Abt Books, 1984), p. 74. Komer's book is an extended criticism of the administration's maritime strategy. For further discussion and criticism, see John J. Mearsheimer, 'A Strategic Misstep: The Maritime Strategy and Deterrence in

- Europe', *International Security*, vol. 11, no. 2 (fall 1986), pp. 3-57; and Steven Miller, 'The Maritime Strategy and Geopolitics in the High North', in Clive Archer, ed., *The Strategic Environment in Northern Europe*, forthcoming.
45. For a useful discussion of Reagan foreign policy that emphasizes the importance of this deadly connection as an organizing principle, see Jeff McMahan, *Reagan and the World: Imperial Policy in the New Cold War* (New York: Monthly Review Press, 1985).
 46. See 'Hill Support for President Drops to 10-Year Low', *Congressional Quarterly Weekly Report*, 25 October 1986, p. 2687.
 47. All data from *ER*, Tables B-2, B-15, B-21, B-27, B35, and B-44.
 48. *ER*, Table B-59.
 49. Hyman Minsky, 'Review' [Book review of Lester C. Thurow, *The Zero Sum Solution: Building a World-Class American Economy*], *Challenge*, vol. 29, no. 3 (July/August 1986), p. 61.
 50. Profits in current dollars per unit of output in 1982 dollars are reported in Council of Economic Advisers, *Economic Indicators*, May 1987, p. 3. We have conformed the numerator and denominator, adjusting for inflation, using a deflator for the gross domestic product of the non-financial corporate business sector.
 51. Note that reported after-tax corporate profits for the period show a *decline* from \$152 to \$131 billion. These figures are misleading, however, since they are largely an artifact of business use of the accelerated depreciation tax breaks awarded in 1981. See Clark and Corrigan, 'Ronald Regan's Economy', pp. 2998-9.
 52. US Bureau of the Census, Current Population Reports, Series P-60, No. 154, *Money Income and Poverty Status of Families and Persons in the United States: 1985 (Advance Data from the March 1986 Current Population Survey)* (Washington, DC: GPO, 1986), Table 5. In addition to a worsening of such aggregate class inequalities, the Reagan years have seen an increase—for the first time in 50 years—in regional inequalities. In 1979, for example, only one in eight of the major US regions (the Southwest) had a per capita income level more than 10 per cent below the national average. By 1986, three did (the Southeast, Rocky Mountain, and Southwest regions). See '50-Year Trend Reversed as US Regions Grow Apart Economically', *New York Times*, 23 August 1987.
 53. For an outline of this programme from a former Reagan official, see Henry Nau, 'Where Reaganomics Works', *Foreign Policy*, no. 57 (winter 1984-85), pp. 14-37. For an assessment of some of the calculations involved, see Ferguson and Rogers, *Right Turn*, pp. 112, 115-19.
 54. See 'US Trade Deficit Increases Sharply and Unexpectedly', *New York Times*, 15 August 1987.
 55. Current projections have the dollar falling 8-15 per cent over 1986-87, and another 5-7 per cent over 1987-88. See *NBER Reporter* (summer 1987), p. 11.
 56. For a useful summary of the budget problem, see Andrew Brimmer, 'Dim Prospects for the Federal Budget Deficit', *Challenge*, vol. 30, no. 2 (May/June 1987), pp. 58-60.
 57. All data from *HT*, Tables 1.2 and 1.3.
 58. Paul Craig Roberts, *The Supply-Side Revolution* (Cambridge, MA: Harvard University Press, 1984), p. 173; see also Daniel Patrick Moynihan, 'Reagan's Inflate the Deficit Game', *New York Times*, 21 July 1985.
 59. We are abstracting here from some price and foreign exchange effects.
 60. See *NBER Reporter* (summer 1987), p. 11.
 61. The comparison with the 1982 recession is made in Lester C. Thurow and Laura D'Andrea Tyson, 'The Economic Black Hole', *Foreign Policy*, no. 67 (summer 1987), p. 7.

62. For further discussion of the debt politics of the Reagan era, assessing the interactions among the Federal deficit, the trade deficit, and Third World debt, see the excellent treatment in Gerald Epstein, 'The Triple Debt Crisis', *World Policy Journal*, vol. 2, no. 4 (fall 1985), pp. 625–57. Epstein's discussion has influenced our own throughout.
63. By comparative standards, US electoral participation is notoriously low and **class-skewed** (rates of participation vary directly with income and education levels). For extended analysis of the origins and implications of this phenomenon, see the essays collected in Walter Dean **Burnham**, *The Current Crisis in American Politics* (New York: Oxford University Press, 1982), in particular 'The Appearance and Disappearance of the American Electorate', pp. 121–65. See as well the discussion of the recent effects of this skew on the shape of party competition in Thomas **Byrne** Edsall, *The New Politics of Inequality* (New York: W.W. Norton, 1984); and **Ferguson** and Rogers, *Right Turn*.
64. Between 1981 and 1987, for example, support for increasing federal spending on day care programmes increased from 38 per cent to 57 per cent, while support for increasing Medicaid has climbed from 44 per cent to 61 per cent, **support** for Medicare increases from 57 to 74 per cent, and for Social Security increases from 49 to 63 per cent. See ABC *News/Washington Post* polls, as reported in *National Journal*, 18 April 1987, p. 924.
65. See, for example, the **surveys** on the use of government power by Opinion Research Corporation (1982) and the Gallup Organization for the Advisory Commission on Intergovernmental Relations (1986), reported in *Public Opinion*, vol. 9, no. 6 (March–April 1987), p. 29.
66. In the 1982 elections, Republicans retained control of the Senate, but gave up 26 House seats and a slew of governorships. Despite Democratic losses in the 1984 Reagan landslide, the elections of 1982 and 1984 together produced a net decline in Republican strength in the Congress and in state governorships. In 1986 the elections were a near disaster for the Republicans. The Democrats recaptured the control of the Senate they had lost in 1980, gaining eight seats and a working 55–45 seat majority. In the House, the party gained six new seats and an 83 seat (259–176) majority. The limits of political realignment have also recently appeared at the bottom line. Contributions to the Republican National Committee fell 25 per cent between the ~~first~~ first half of 1985 and the first half of 1987. As a consequence of that decline the Committee recently laid off 15 per cent of its staff, and cancelled ten major consulting contracts. See 'Short of Cash, Republicans Begin Layoffs', *Washington Post*, 16 July 1987.
67. On the 1986 elections, see Walter Dean **Burnham**, 'Elections—GOP Dreams of Realignment', *Wall Street Journal*, 26 November 1986; idem., 'Electing Not To: Why Americans are Staying Away From the Polls in Droves', *Boston Globe*, 6 September 1987. We should note that there are striking signs of increasing ideological polarization among more politicized younger Americans. Equally striking, and contrary to the currently accepted wisdom, is the fact that this polarization and partisanship favours liberal political views and the Democratic party. But it would be premature, to say the least, to project party revitalization on the basis of available data. For a discussion of shifting partisanship, see Warren E. Miller, 'Party Identification Re-Examined: The Reagan Era', in *Where's the Party* [Alternatives for the 1980s, #21] (Washington, DC: Centre for National Policy, 1987).
68. For the 1980–86 union membership totals and densities, see Larry T. Adams, 'Changing Employment Patterns of Organized Workers', *Monthly Labor Review*, vol. 108, no. 2 (February 1985), p. 26; and *Employment and Earnings*, vol. 34, no. 1 (January 1987), p. 220. For the 1936 figure, see US Department of

- Labour, Bureau of Labour Statistics, *Handbook of Labor Statistics*, Bulletin 2070 (Washington, DC: GPO, 1980), Table 165.
69. Leaders of unions representing roughly half the total union membership in the US are now affiliated with the National Labour Committee in Support of Democracy and Human Rights in El Salvador, which has long since extended its activities to include opposition to present US policies toward Nicaragua. As a consequence of this involvement, roughly half the **80,000** protesters at a recent (April 1987) Washington demonstration against current US policies in Central America were union members. For a discussion of US labour and the Central America issue, see Daniel Cantor and Juliet Schor, *Tunnel Vision: Labor, the World Economy, and Central America* (Boston: South End Press, 1987).
 70. Since many non-tariff barriers are informal or undisclosed, estimating the protected share of different national markets is notoriously difficult. For efforts to do so, see William R. Cline, *Exports of Manufacturers from Developing Countries* (Washington, DC: The Brookings Institution, 1984), chapter 2; and Bela Belassa and Carol Belassa, 'Industrial Protection in the Developed Countries', *The World Economy*, vol. 7, no. 2 (June 1984), pp. 179-96. For the increase in major restrictions under Reagan, see I.M. Destler, *American Trade Politics: System Under Stress* (Washington, DC: Institute for International Economics, 1986), pp. 166-8; and TRB From Washington, 'Talking Tough', *The New Republic*, 31 April 1987, p. 4.
 71. As we write, the Senate has recently passed an omnibus trade bill, which now needs to be reconciled with the more aggressive House bill passed earlier. What will emerge from conference committee is unclear, as is the response of the administration to it. It seems likely, however, that *some* restrictive legislation will emerge in 1987.
 72. In particular, despite numerous disclaimers from him, there is continued speculation about a possible late entrance by New York Governor Mario Cuomo, who enjoys especially broad support among organized labour.
 73. Ferguson and Rogers, *Right Turn*, p. 4. The quoted fundraiser was Chicago real estate magnate Thomas Rosenberg.
 74. See the discussion in Ferguson and Rogers, *Right Turn*, chapter 5.
 75. In abstracting from these differences, we should emphasize, we are doing just that; we mean neither to deny their existence, nor to assert that they are all completely inconsequential. Within the general consensus about to be described, for example, different candidates seem to have different inclinations on the early resort to force in international affairs. This could be a matter of considerable significance, especially for those on the receiving end of US foreign policy. There are also apparent differences among the candidates regarding trade, and their willingness to extend protection to particular domestic sectors suffering from international competition. These too may be of considerable importance.
 76. 'Democrats Etch a Centrist Image in Policy Report', *New York Times*, 21 September 1986.
 77. Democratic Policy Commission, *New Choices in a Changing America* (Washington, DC: August 1986), pp. 65 and 55, respectively.
 78. Democratic Leadership Council, *Defending America: Building a New Foundation for National Strength* (Washington, DC: September 1986), p. 1.
 79. *New Choices*, p. 63.
 80. *Defending America*, p. 13.
 81. *Defending America*, p. 21.
 82. *New Choices*, p. 56.
 83. Democratic Leadership Council, *Winning in the World Economy* (Washington, DC: October 1985), pp. 16-17.

84. The term has been made popular by Pat Choate, a prominent broker of recent neo-liberal Democratic ideas. See Pat Choate (and J.K. Linger), *The High-Flex Society: Shaping America's Economic Future* (New York: Alfred A. Knopf, 1986). Like 'industrial policy' or 'competitiveness', 'flexibility' is protean in meaning.
85. The absence of such proposals from the DPC and DLC reports is striking, but this is not to say that no one in the Democratic Party is talking about such measures. Massachusetts Senator Edward Kennedy, for example, now chair of the Senate Labour and Human Resources Committee, has unveiled a string of proposals broadly beneficial to workers—including legislation mandating an increase in the minimum wage, notification of plant closings, and requirements on employers to provide health insurance for their workers. With luck, *some* parts of this programme may even become law in this Congress, although their scope and effectiveness will be limited by the severe fiscal constraints discussed below.
86. For the prominence of the 'wage gap' issue, see Louis Uchitelle, 'Narrowing a Wage Gap', *New York Times*, 26 June 1987. Wage-bonus systems of compensation that are currently in use appear to be having the effect suggested in the text. See 'Bonuses Replace Wage Rises and Workers are the Losers', *New York Times*, 26 June 1987.
87. As of August 1987, the Jackson campaign reported having raised \$520,000. As of June 1987, Dukakis had already raised \$4.7 million. See 'Jackson Campaign Fund For '88 Reaches \$520,000', *New York Times*, 14 August 1987.
88. In the 1984 race, the AFL-CIO delivered a pre-primary endorsement to Walter Mondale, and mobilized considerable resources on his behalf. Given internal divisions, however, the Federation has recently resolved not to attempt to unite behind any single candidate before the race in 1988.
89. Author interview; not for attribution.
90. The jobs proposal is set out in Paul Simon, *Let's Put America Back to Work* (Chicago: Bonus Books, 1987), chapters 4 and 5. The estimated cost of \$8 billion is net of savings from reduced welfare expenditures for the affected unemployed. Note that the jobs will pay so little that little or no additional tax revenue will be realized by providing them. To realize Simon's goal of using employment gains to close the deficit, something far more ambitious would be required.
91. Note the qualification here. If a boomlet for Simon somehow pries loose invitations of business support (something that is at least imaginable for him, but not for Jackson), one can expect that the tone of the campaign will change. Simon is hardly wedded to a vision of radical change in American politics. He is a fiscal conservative. And without doubting his personal integrity, it is possible to imagine him serving as a vehicle for more 'moderate' forces within the party, and fading into its mainstream. At the moment, the likelihood of this happening is impossible to assess. The claim in the text is only that if it does not happen, he is unlikely to win.
92. Lester C. Thurow, *The Zero-Sum Solution: Building a World-Class American Economy* (New York: Simon and Schuster, 1985), pp. 260-61.
93. Joint Economic Committee, *Hard Choices: A Report on the Increasing Gap Between America's Infrastructure Needs and Our Ability to Pay for Them* (Washington, DC: February 1984).
94. Centre for New Democracy, *A Strategic Investment Initiative for America's Future*, unpublished.
95. Author interview with Congressional Budget Office staff. The \$108 billion deficit estimate is based on August 1987 Congressional Budget Office economic

assumptions, and the FY 1988 Congressional budget resolution.

96. Democratic Leadership Council, *Winning in the World Economy* (Washington, DC: December 1986), p. 29. (Note that this version of *Winning* is more recent than the one cited in fn. 83 *supra*.)
97. For the estimate see Kaufmann, *Reasonable Defense*, p. 102.
98. See 'Moynihan's Welfare Proposal Cheaper than House Version', *Congressional Quarterly Weekly Report*, 18 July 1987, pp. 1587-89. Moynihan's welfare reform proposal is cheap because it does not increase benefit levels.
99. 'Senate Adopts Democrats' Fiscal 1988 Budget', *Congressional Quarterly Weekly Report*, 9 May 1987, pp. 890-897.
100. Bruce Babbitt has recently revived the idea of a national consumption tax. For notice of this, and other current tax discussion, see William Schneider, 'The Politics of Tax (Them) and Spend (on Us)', *National Journal*, 8 August 1987, p. 2035.
101. For one recent discussion of these well-known regressive effects that explores them in the particular context of the US, see Citizens for Tax Justice, *Meeting the Revenue Targets in the 1988 Budget: Will Tax Reform Be Extended or Undermined?* (Washington, DC: May 1987).
102. Jerry W. Sanders and Sherle R. Schwenninger, 'A Third World Policy for the Post-Regan Era', *World Policy Journal*, vol. 4, no. 1 (winter 1986-87), p. 33.
103. *Ibid*.
104. As of 1985, the annual volume of world trade was about \$2 trillion, while the volume of foreign exchange trading was about \$150 billion a day. See *Foreign Exchange in the 1980s* (New York: The Group of Thirty, 1985), p. 5. We should note that the merits of James Tobin's long-standing proposal for an internationally uniform transfer tax on transactions across currency, aimed at reducing the incentives to speculation, seem to be more widely recognized among policy analysts now than in the past. As Tobin would be the first to admit, however, the proposal has distinct limits. And in any case, discussion of it does not seem to have penetrated to mainstream Democrats. For the original version of the proposal, see James Tobin, *The New Economics, One Decade Older* (Princeton: Princeton University Press, 1974), pp. 88-92. For some recent discussion of it in a Brookings study that suggests it deserves more consideration, see Ralph C. Bryant, *International Financial Intermediation* (Washington, DC: The Brookings Institution, 1987), pp. 155-56.
105. See Epstein, 'The Triple Debt Crisis', for a discussion of what is needed for monetary reform. For expressions of concern, and some proposals for reform, from liberal New York financiers, see Felix Rohatyn, 'On the Brink', *New York Review of Books*, vol. 34, no. 10 (11 June 1987), pp. 3-6; and George Soros, 'A Global New Deal', *New York Review of Books*, vol. 34, no. 13 (13 August 1987), pp. 52-3.