

Ernst Fraenkel Vorträge
zur amerikanischen
Politik, Wirtschaft, Gesellschaft und Geschichte

Herausgegeben von Carl-Ludwig Holtfrerich

2

William Schneider

**The Political Legacy
of the Reagan Years**

John F. Kennedy-Institut für Nordamerikastudien
der Freien Universität Berlin

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Vorwort des Herausgebers

Diese Schriftenreihe des John F. Kennedy-Instituts der Freien Universität Berlin soll dazu beitragen, die Ergebnisse der Ernst Fraenkel Vorträge zur amerikanischen Politik, Wirtschaft, Gesellschaft und Geschichte über den Tag hinaus festzuhalten und einem breiten Interessentenkreis auch außerhalb Berlins zugänglich zu machen. Die Vortragsreihe ist dem Deutsch-Amerikaner und weltweit bekannten Politik- und Amerikawissenschaftler Ernst Fraenkel gewidmet, der von 1951 bis 1967 an der Freien Universität Berlin lehrte und dessen Initiative 1963 zur Gründung des John F. Kennedy-Instituts für Nordamerikastudien führte. Wie Ernst Fraenkel mit seinem Leben und Wirken, so sollen auch diese Vorträge renommierter amerikanischer Wissenschaftler und Kenner der jeweiligen Themenbereiche zum wissenschaftlichen Brückenschlag über den Atlantik hinweg beitragen und Anregungen für die Forschung am Kennedy-Institut sowie an anderen europäischen Amerikainstituten vermitteln.

Dieses Heft enthält das ausführliche Manuskript, das William Schneider (American Enterprise Institute) seinem Vortrag am 7. Juli 1988 zum Rahmenthema "Die Präsidentschaft" zugrundelegte. Daß das Ergebnis der Präsidentschaftswahlen nun bekannt ist, macht die Lektüre dieses subtilen Beitrags zu den innenpolitischen Strömungen in den USA zusätzlich reizvoll und gewinnbringend.

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Berlin, im November 1988

Carl-Ludwig Holtfrerich



What difference has Ronald Reagan made in American politics? Not much, according to the polls. Public opinion hasn't shifted to the right. If anything, the voters have moved to the left since Reagan took office - less support for military spending, more support for domestic social programs, increased concern about arms control, hunger and poverty. It has long been the conventional wisdom that the President's personal popularity does not translate into public support for his policies. But it does translate into something.

"There has been a profound change in the agenda," said Senator Daniel Patrick Moynihan. "The Stockman strategy of disabling the finances of the federal government worked. It worked disastrously," the New York Democrat hastened to add, "but it worked".

Moynihan reached into his desk. "I have a wonderful document here from Senator (Daniel J.) Evans of Washington. He has a bill he calls 'the Federalism Act of 1986 - FACT.' It would expand the coverage of Medicaid and work training programs to poor pregnant women and to poor children whether they're on welfare or not. "It's the kind of thing we should have done twenty years ago," the Senator added. "It's incremental, sensible and sane. First you establish Medicaid for indigent, dependent families on welfare. Then you come along and say, 'What about families that are poor but not on welfare? Can't we give a pregnant mother Medicaid attention? Can't we give poor children Medicaid attention?' "But," the Senator rejoined, finger in the air, "Senator Evans says we will have to pay for this by abolishing the Economic Development Administration, the Appalachian Regional Commission, community services block grants, urban development action grants, community development block grants, mass transit operating assistance, mass transit research, waste water treatment grants, rural waste water disposal grants, federal impact aid, social services block grants, new low-income housing and vocational education.

"I know something about those programs," Moynihan continued. "They aren't just the social agenda of the last twenty years. Vocational education was begun by the federal government in 1917. You would be abolishing the first entry of the United States government into education. But those are the terms. In order to go forward, you have to go back."

The Long Run: Institutional Changes

Democrats and Republicans agree that Reagan has transformed the agenda, but in a peculiar way. We want to do the same things as before - fight drug abuse, stabilize the economy, protect the poor and the elderly - only with less government. The impact of the Reagan Revolution is more likely to be felt in the long run than in the short run. The President did not, after all, dismantle the New Deal welfare

state. As Hugh Heclo has written, "Much as F.D.R. and the New Deal had the effect of conserving capitalism, so Reaganism will eventually be seen to have helped conserve a predominately status-quo, middle-class welfare state."

Fair enough, but in the same volume on the Reagan legacy, Jack A. Meyer offered what he called "a long-term perspective." "The Administration seems to highlight its social philosophy toward federal programs, an area where most of its accomplishments seem rather marginal. By contrast, it downplays and is defensive about its fiscal policies which, while incomplete, herald a major accomplishment for the Administration." That accomplishment was to "pull the revenue plug" on the federal government. First came the 1981 tax cut, then year after year of record budget deficits. Now and for the foreseeable future, everything the federal government does must accommodate to one central fact: there is less money.

"I suggest that the United States is entering a new phase of expenditure control policy," Meyer wrote, "in which it is recognized that the safety net for the poor cannot be cut much further; that the social insurance and retirement functions must at least be on the table for discussion...; and that there will not be too much room in the future for all other federal government social expenditures." That, in sum and substance, is the Reagan Revolution.

The country bought the Administration's economic program as a short-run response to a national calamity. Just before Reagan took office, he was being urged by some of his advisers to declare a national economic emergency. He didn't have to. Everyone knew the country was in an economic crisis. The President sold his tax and budget policies as a means to an end, which was to curb inflation and restore the nation's economic stability. In the public's view, the policies worked. But tax cuts, budget deficits and tax reform are no longer passing items on the political agenda. They are the basis of a new institutional order, one that will set the terms of political debate far beyond the Reagan years.

Five long-term changes can be identified:

1. The federal budget deficit makes it impossible for Democrats to talk about any major new domestic spending programs unless they also talk about raising taxes. Which is exactly what the Republicans want them to talk about. For instance, having taken control of both houses of Congress after the 1986 midterm election, the Democrats proposed "a new agenda for social progress." But they had to face the challenge of financing their new agenda without resorting to a general tax increase. Hence, the pressure for "new ideas" in the Democratic Party.
2. Tax reform did more than simplify the nation tax code and curb the influence of special interests. It also weakened the principle of progressive taxation and challenged the notion that the tax system should be used as an instrument of social policy. By reverting to the old idea of "taxes for purposes of revenue

only," tax reform has made it harder for the Democrats to legislate through tax policy. And that, President Reagan has said, is exactly what he set out to achieve.

3. A significantly higher level of defense spending has become the norm. While there is little public support for the sharp increases President Reagan requests from Congress every year, most Americans still do not want to make substantial cuts in the military budget. Cutting defense has come to mean going back to the perceived military weakness of the 1970s. Thus, as defense spending has risen year after year, the public's response has essentially been, "This far, but no farther." Moreover, arms control does not undermine the President's military program; it helps to institutionalize it. An arms control agreement represents the long-awaited payoff for the Reagan Administration's defense buildup.
4. By the time he leaves office, President Reagan will have appointed about half of the nation's federal judges. While not all of those appointees can be described as ideologues, the Administration paid special attention to their views on key social issues like affirmative action, abortion and criminal rights. Throughout the Reagan presidency, the religious right has complained that the Administration has done little to fight for its social agenda in the legislative arena. That is correct, and the explanation is that it would have been politically unwise. Instead, President Reagan is relying on the federal courts to reverse the judicial activism of the last three decades. Which they may well do after he leaves office, when he will not have to suffer the political consequences.
5. Finally, the Reagan Administration has changed the political consensus in both parties. The withdrawal of Howard H. Baker, Jr. from the 1988 presidential race removed the only prospective candidate who represented the traditional moderate Republican establishment. Instead, Baker chose to become White House chief of staff and shore up his Reaganite credentials. All the candidates in the GOP race were conservatives of one sort or another. Representative Jack Kemp was an aggressive leader of the New Right. Reverend Marion G. (Pat) Robertson tried to muster a Christian army to fight for the religious right. Former Delaware Governor Pierre S. du Pont, despite his high establishment origins, was a born-again populist and supply-sider. Vice President George Bush shed his moderate skin in 1980 and converted to Reaganism. Senate Minority Leader Bob Dole assiduously courted the right during his two years as Senate Majority Leader. Although he differed with the right on some important issues, Dole established his credentials as someone who could deliver. Dole's message to the right was, "I may not be one of you, but I can deal for you."

Compare the situation in the Democratic Party. With Governor Mario M.

Cuomo and Senator Edward M. Kennedy out of the race, there seemed to be no one to fight for the Old Politics - free-spending, high-taxing, big government liberalism. To traditional Democrats, the 1988 field looked like Jesse Jackson and a crowd of yuppies (at least until they took a good look at Senator Paul Simon and projected him as a substitute for Cuomo). All the other Democrats were "pragmatists" who wanted to try "new ideas." In the Democratic Party, pragmatism means giving up the burden of defending big government. Government cannot be the solution to every social problem, pragmatists say; instead, it should be the source of new ideas. Thus, the primary role of government is not to redistribute income but to stimulate economic growth. Most Democrats remain committed to the principles of sharing, compassion, mutuality and help for the disadvantaged. But these days, that message sounds too much like free spending, high taxing, big government liberalism. It is a message many Democrats fear they can't sell any more.

The Reagan Revolution changed the coalition structure of American politics. Reagan brought together a variety of interests united by a distaste for big government. That coalition is larger than the traditional Republican Party. Consequently, it is more diverse. It includes business interests and middle class voters who dislike taxes and regulation. It includes racial and religious conservatives who dislike the federal government's reformist social agenda. It includes neoconservatives who want a tougher and more assertive foreign policy. These interests disagree on many things, but they will stick together as long as they see a common enemy, namely, the liberal establishment with its interventionist domestic policies and its non-interventionist foreign policies.

Benjamin Ginsberg and Martin Shefter have analyzed how the Reagan Administration "reconstituted" American politics. For example, some groups have changed their political identity. Middle- and upper-income suburban voters who used to see themselves as beneficiaries of government programs now identify as "taxpayers, individuals whose chief concern is the cost of federal programs." Groups that used to share a common interest have been divided by the Reagan program - public-sector and private-sector professionals, for instance, or business and labor in deregulated industries. In still other cases, the Reagan Revolution has created new political forces by uniting disparate interests: Catholic and Protestant religious conservatives, upper-income managers and professionals, big business and small business. "The result of these efforts is a new constellation of forces in American politics, one that is more consonant with the President's programmatic and partisan goals and that increases the probability of the Reagan regime enduring."

What keeps the Reagan coalition together is not mutual affection or agreement, but the perception of a common threat. The threat is that liberals will

regain control of the federal government and use it, as they did in the past, as the instrument for carrying out their "redistributionist" or "reformist" or "anti-military" program. The threat will not disappear when Reagan leaves office, and neither will the Reagan coalition.

Not even if it loses the 1988 election. The fact that a coalition is defeated does not mean it has been destroyed. In the short run, the Republicans are likely to lose many elections, as they did the Senate elections in 1986, just as the Democrats lost many elections over the fifty year history of their New Deal coalition. The short-term fate of the Republican Party depends on factors like the condition of the economy, the fallout from the Iran-contra scandal and the state of U.S.-Soviet relations. But the Reagan coalition would come to an end only if the various groups that comprise it no longer feel they have a mutual interest in limited government.

Above all, the political agenda has changed. Looming over everything is the federal budget deficit. The anti-government revolt that brought Reagan and the GOP to power in 1980 is over. But we have come out of it with a new institutional order, one based on low taxes and limited government. That new order does not lack for defenders.

The Short-Run: Unintended Consequences

What surprises many observers is the lack of evidence of any ideological change, at least in the short run. As Thomas Ferguson and Joel Rogers found in 1986, "Poll after poll demonstrates that the basic structure of public opinion in the United States has remained relatively stable in recent years." Hugh Heclo took note of "the amount of effort that must be exerted to find even modest movement in the public's mind toward ideas favored by Reaganism." Both analyses were published before the Iran-contra scandal had its debilitating effect on President Reagan's image.

Basically, Reagan has been a victim of the Law of Unintended Consequences, a law that initially helped him get elected President. What the Law of Unintended Consequences says is this: by solving one problem, you usually create another. You may even make the situation worse instead of better. That point was made over and over again during the 1960s and 1970s by neoconservative intellectuals former liberals who argued that liberal social programs were creating more problems than they were solving.

The classic case, cited again and again by neoconservatives, was Aid to Families with Dependent Children (AFDC), the federal welfare program. The program provided assistance to low-income families, but only if the father was absent. So, in effect, the program gave fathers an incentive to abandon their families.

Such arguments, made by respectable intellectuals, gave conservatives like Reagan the evidence they needed to support what they had been saying for years: That government spending is bad. That the federal government makes things worse. And that most of what the government does to help people is wasteful and counterproductive.

The voters did not buy conservatism because it became intellectually respectable, however. They bought it because, over a twenty-year period, public confidence in government collapsed. A decade of social conflict - racial violence, the war in Vietnam, student protest, Watergate - was followed by a decade of economic decline - the energy crisis, recession, the Great Inflation of the 1970s. Not only was government unable to solve these problems. It was government that created them in the first place.

Runaway inflation was the final straw. The public placed the blame squarely on out-of-control government spending. The result was a tax revolt that spread across the country like wildfire in 1978. Then, two years later, the Republicans swept the presidency and the Senate. The revolt against government came about because of good timing: a conservative movement armed with new and powerful arguments against government, and an electorate that, as a result of inflation, was finally receptive to what the conservatives were saying.

A remarkable thing happened next. Reagan got credit for solving the two problems he was elected to solve. During his first term in office, inflation was subdued and the nation's sense of military security was restored. Then the Law of Unintended Consequences took over.

Reagan's success in curbing inflation had the unintended consequence of ending the revolt against government. Beginning in 1983, when the inflation rate reached zero for the first time in thirty years, attitudes toward government began to improve. Polls showed rising support for government regulation and for government spending on domestic social programs like education, health care and poverty. Tax resentment declined. And trust in government increased. Fewer people said that public officials were wasteful, crooked and incompetent and more people felt they could trust the government to do what is right. Thus, the ultimate irony of Reagan's presidency: he restored people's faith in government, which is certainly not what he set out to do.

Reagan's success in improving the nation's sense of military security had the unintended consequence of reducing support for his defense policies. By 1987, polls showed that less than 20 percent of the public believes the Russians are now stronger than the United States. That view was held by a majority in the late 1970s. Consequently, fewer than 20 percent favored higher defense spending by 1987. The polls showed increasing support for an arms control treaty and for improving relations with the Soviet Union. Thus, another irony of the Reagan

presidency: by making Americans feel more secure, Reagan laid the groundwork for renewed detente, which is certainly not what he set out to do.

President Reagan came to power by seizing the moment, and in 1980, the moment was ripe for conservative leadership. He also managed to sustain his political power even as the Law of Unintended Consequences began to work against him. In a system without strong political parties, like that of the United States, public opinion is the President's principal source of power. An American President must be constantly preoccupied with managing public opinion, even to the point of delegating important policy responsibilities to others. Since managing public opinion was one of Reagan's greatest strengths, delegating authority became his most serious vulnerability.

A high approval rating gives a President clout with the press, the bureaucracy and Congress. If a President's approval rating declines significantly - as Reagan's did in 1982, at the time of the recession, and as it did again at the end of 1986, as a result of the Iran-contra scandal - the President literally loses power, even over his own party. In a system of independent political entrepreneurs, there is little advantage for a politician to remain loyal to an unpopular President. In 1982, Reagan used his considerable personal appeal, as well as his skill at media management, to rally the American public to "stay the course" in the face of the deepest recession since the 1930s. In 1986, he was not so lucky. The Iran arms deal caused the President's approval rating to go down almost twenty points in one month, the sharpest drop on record. While his ratings subsequently stabilized at about 50 percent, the President suffered a serious loss of credibility. Few were afraid of him any more. Moreover, the polls showed that the electorate was in a mood for change. Even before the stock market crash of October 1987, voters were saying they would prefer a Democrat to a Republican as the next President.

The simple truth is that once the Reagan Administration did what it was elected to do - resolve the nation's economic crisis and restore the country's sense of military security - the public lost interest in the Reagan agenda. The Law of Unintended Consequences took over, and its effects were heightened by the Administration's grievous mismanagement of foreign policy. The President lost power. The 1988 election suddenly looked winnable for the Democrats.

While the short-run outlook may not be good for the Administration or for the Republican Party, the Reagan Revolution is not an evanescent phenomenon. It is strongly rooted in the institutional changes outlined above. It will not disappear as easily as Ronald Reagan's personal "magic" has. There have been lasting changes in the American electorate. These changes started long before the Reagan Revolution. In fact, they go back twentyfive years, to the social and foreign policy conflicts of the 1960s. Ronald Reagan himself is a creature of the 1960s. He first gained prominence as a result of a speech supporting Barry Goldwater for

President in 1964, and he was elected governor of California in 1966 in reaction to the social turmoil in Watts and Berkeley. The Iran-contra scandal and the Oliver North phenomenon can be understood only in terms of the legacy of the Vietnam war. The conflicts surrounding the Supreme Court and the nominations of Judges Robert Bork and Douglas Ginzburg derive from several decades of controversy over judicial activism.

The quarter century from 1964 through 1988 was a distinctive cycle in American politics, an era of ideological change and party realignment. The Reagan Revolution was as much a consequence as a cause of those developments. Thus, the changes now visible in American politics have deep roots and cannot be destroyed by the failure of one presidency.

The New Politics

Two things happened. The first was the rise of the new politics, which brought about the ideological realignment of the Democratic and Republican parties. Beginning in the 1960s, the Republicans moved to the right and began to attract a new conservative coalition. At the same time, the Democrats started moving to the left, with the result that the party gained a new liberal constituency and alienated its old-line conservative wing. These changes occurred mostly at the elite level, among political activists coming out of the New Right and New Politics left. These activists eventually gained influence over, if not total control of, the two major parties.

The second change, the rise of anti-establishment populism, occurred at the mass level and had little to do with ideology. It was stimulated by two decades of failure and frustration. Populism is neither liberal nor conservative, but anti-elitist. The last two Presidents, one a Democrat and the other a Republican, were both anti-Washington candidates who appealed to this neo-populist sentiment. As a result of the Great Inflation of the 1970s, anti-establishment populism turned into a revolt against government, the ultimate symbol of the establishment and the status quo. The first stirrings were visible in the tax revolt of 1978, two years before Ronald Reagan won the presidency. It was the anti-government revolt that brought the conservative coalition, and the Reagan revolution, to power.

The year 1964 marks the dividing line between the old politics and the new politics. The Republican nomination of Barry Goldwater defined a new style of conservatism and occasioned a sharp break with the past. The Democrats, under the leadership of John F. Kennedy, Lyndon Johnson and Hubert Humphrey, also broke with their past by making the courageous, and ultimately costly, decision to embrace the civil rights movement. For the next two decades, the parties continued to move apart ideologically. This transformation is symbolized by the two principal third-party movements of the last 25 years. Conservative Democrats,

mostly southern whites, felt homeless in 1968 and rallied behind the independent candidacy of George Wallace. They could not stay in a party committed to civil rights. Liberal Republicans felt homeless in 1980 and rallied behind the independent candidacy of John Anderson. They could not stay in a party that had become completely Reaganized.

Nowhere did this realignment have a greater impact than in the South. What was once the most solidly Democratic region of the country is now predominantly Republican in presidential elections. Since 1964, the South has given majority support to the Democratic ticket only once, in 1976, and even then, Jimmy Carter failed to carry white southerners. The South and the West - the Sunbelt - are the base for what has become a normal Republican presidential majority.

In the 1950s, it was possible to talk about a Democratic Party establishment and a Republican Party establishment who were more or less in control of their parties' policies and organizations. While divided on economic issues - the Democrats were the big spenders, the Republicans the party of austerity - neither social issues nor foreign policy entered the partisan debate. Both sides endorsed the bipartisan Cold War consensus. And the most pressing social issue, race, was confused. The Democrats still had a large contingent of southern white racists, while it was a Republican Chief Justice who wrote the 1954 Supreme Court decision mandating school integration and a Republican President who sent troops to Little Rock to enforce it.

In the 1960s and 1970s, both party establishments were the targets of protest movements. The first challenge came from the right, in 1964, when the Goldwater movement mobilized conservative activists to wrest control of the Republican Party from the eastern establishment. The protest from the left emerged with the antiwar candidacy of Eugene McCarthy in 1968. Four years later, liberal activists mobilized in the Democratic primaries and caucuses to nominate George McGovern and defeat the party establishment that they felt had stolen the nomination from them four years earlier. The presidential nominations of Barry Goldwater in 1964 and George McGovern in 1972 signaled the initial victories of these protest movements. Although both candidates were defeated in the ensuing general elections, their followers moved into positions of prominence in the two parties, either displacing the party regulars or forcing them to accommodate.

The protest movements introduced new ideological issues into party politics. The New Right conservatives attacked the Republican establishment for making too many compromises with big government - including acceptance of civil rights legislation - and for being too willing to accept peaceful coexistence with communism. The Democrats had already taken a giant step to the left when the party establishment supported civil rights. The New Politics movement went one step

further and challenged the party leadership's commitment to the Truman Doctrine, the principle of anti-communist intervention that led the United States into Vietnam. Beginning in the 1960s, social issues and foreign policy became partisan issues, alongside enduring party differences over taxes, spending and regulation.

Party leaders like to say that a political party is a big tent, with room inside for all kinds of people. That certainly used to be true. Democrats ran the gamut from Southern white racists to blacks and Northern liberals. The old GOP included right-wingers like Barry Goldwater and left-wingers like John Lindsay. In recent years, however, the tents have gotten smaller. Racists and rightwingers are no longer welcome in the Democratic tent. Liberal Republicans face a choice of either losing (like Jacob Javits and Clifford Case) or leaving (like John Lindsay and John Anderson).

The parties have been trading supporters as a result of the new politics. While the suburban vote in the South has become solidly Republican, Democrats have made substantial inroads among affluent upper-middle-class voters outside the South. These New Politics voters, many of whom, like John Anderson, were traditionally Republican, cannot abide the reactionary social conservatism of the new Republican Party. They are attracted to New Politics liberals like George McGovern, Morris Udall and Michael Dukakis, not to old-fashioned Democrats like Walter Mondale or moderates like Jimmy Carter.

On the other hand, the Democratic Party has been losing much of its traditional support among white Southerners, conservative Catholics and bluecollar voters who feel threatened by social and cultural change. Conservative Democrats are not attracted to moderate Republicans like Gerald Ford but to right-wing Republicans like Ronald Reagan, Strom Thurmond, Jesse Helms, John Connally and Phil Gramm - all of whom used to be Democrats. All of them, as conservatives, found themselves out of place in the Democratic Party. They "realigned" and took many of their supporters with them.

This realignment occurred in two stages. First came the social realignment of 1968 and 1972. In 1968, the Democrats lost the support of racial conservatives, mostly Southern whites. Then in 1972, they lost a smaller but influential group of foreign policy conservatives, or neoconservatives. The party was still competitive, however, as demonstrated by its comeback in the 1974 and 1976 elections. All the Democrats needed was a bad economy and a good scandal.

The second stage of realignment, 1980-84, was more damaging because the Democrats were in danger of losing their economic base. What held the Democratic Party together for fifty years was economic populism - the belief that the party would protect people against economic adversity. That belief kept the party going during the years when it was tearing itself apart over civil rights and

Vietnam. Under Jimmy Carter, however, the Democrats failed to offer economic protection. Under Reagan, the Republicans succeeded. Without the economic issue, the Democrats risk becoming a liberal party rather than a populist party, that is, a party of upper middle class liberals and minority groups who share the same social philosophy.

The realignment has been in the direction of ideological consistency. With the Republican party becoming socially as well as economically conservative and the Democratic party endorsing social as well as economic liberalism. Lower-status voters tend to be liberal on economic issues and conservative on social issues, while higher-status voters are just the reverse. Thus, the typical voter is ideologically inconsistent. Many working class voters look to the Democratic Party for economic protection but do not trust its social liberalism. Middle class suburbanites favor Reagan's fiscal conservatism but are disturbed by the messages of religious fundamentalism, anti-environmentalism and foreign interventionism that sometimes emanate from the White House.

That is one reason why several moderate Republican Senators refused to support Robert Bork's nomination to the U.S. Supreme Court. A conservativized Supreme Court threatened to reopen the agenda on abortion and religious issues, thereby exacerbating class tensions in the Republican Party. These days, religion is to the Republican Party as race is to the Democratic Party: whenever the issue comes up, it tears the party apart. In many ways, the New Deal party system with its ideologically inconsistent parties fit the electorate better. As Walter Dean Burnham has argued, realignment has narrowed the parties' bases and left many voters with no comfortable home.

The Issue of Government

Most of American history has been a complex interplay between economic and social conflict. The role of government is the eternal issue. An economically activist federal government is one that manages, guides and regulates the economy. Is that liberal or conservative? In the nineteenth century, when government was regarded as the bastion of privilege, the out-groups in society favored a laissez-faire state. Jacksonian Democrats, as the party of the "left," resolutely opposed all forms of government economic intervention - currency controls, a national bank, incorporation through legislative charter, protective tariffs, even government-sponsored internal improvements. The Federalists, Whigs and later the Radical Republicans were more comfortable with statism and government intervention, which they defended in the name of nationalism (for instance, Henry Clay's "American System").

Even more divisive was the view that the federal government should endorse or mandate certain social values, such as abolitionism, temperance, racial equality,

sexual freedom or religious rights. Those who favor a socially activist federal government usually do so in the name of universal moral values or human rights. Those who resist say they are defending pluralism: we are a country with no official religion, ideology or culture, and so the state must be scrupulously neutral in such matters. In the nineteenth century, the conservative parties were the parties of the cultural establishment, usually the Protestant elite who wanted to use government to reform and control society. The Jeffersonian Democrats were the party of the out-groups and the disestablished. Consequently, it was the Democrats who supported religious freedom, states' rights and cultural laissez-faire.

These historic party positions were reversed in the twentieth century for a simple reason: the role of government changed. Capitalism is revolutionary. It creates rapid and large-scale social change through what Joseph Schumpeter called the process of "creative destruction." Those who are threatened by change, the losers in the process, gravitate toward government for protection - not just impoverished farmers and workers, but also victims of discrimination and those whose values are endangered by cultural change.

Historically, in the United States as well as Europe, government power had been allied with economic power and social privilege. Out-groups distrusted and opposed the state. The Progressives were the first to use the power of the state to attack private concentrations of power. Eventually the New Dealers extended this fundamentally new role of government. They saw the state as an agency to protect people against economic adversity. Government became the enemy of economic privilege, or what Franklin D. Roosevelt called "the economic royalists." Economic out-groups began to look to the federal government for protection - for jobs, relief, unemployment compensation, old-age pensions and the safeguarding of labor rights. Government power became associated with the economic left.

The second change occurred in the 1950s and 1960s. The civil rights movement redefined the role of the federal government in social relations. Government was again used to reform society, only this time it was to benefit the victims of discrimination. The Democrats in the 1930s used the power of the federal government to promote economic justice. In the 1960s they used the power of the federal government to promote social justice. The sociology of the Democratic Party remained consistent. It was still the party of the underprivileged and the out-groups (the party of "losers," as Republicans sometimes say at intemperate moments like party conventions).

What changed was the party's ideology. From the 1930s through the 1970s, the Democrats became firmly identified with activist government. They became statist in social as well as economic affairs. Antistatist Democrats - which include both economic conservatives and racists, both of whom claim continuity with the

party's states' rights and laissez-faire tradition - have been made to feel distinctly unwelcome. The Republican Party retained its traditional economic conservatism but added to it a vigorous and muscular social conservatism. The latter materialized as a backlash against federal interference, especially judicial interference, in racial and religious matters.

Government, which was once seen as a bastion of social and economic privilege, came to be viewed in this century as a force for social and economic egalitarianism. That would seem to give the Democrats a populist appeal. It did exactly that, for about fifty years. But then, something happened in the 1960s and 1970s to undermine that appeal. What happened was a revolt against government - and against the party of government.

The anti-government revolt was the culmination of twenty years of crisis and decline. First came "the sixties" (1964-74), a sequence of events that seemed to expose the underlying corruption of our institutions: the Vietnam war; racial violence; the rise of feminism, environmentalism, consumerism and campus protest; and the final paroxysm, Watergate. In "the seventies" (1974-1984) the news was just as bad, only now most of it concerned the economy: the energy crisis, surging interest rates, and a Great Inflation sandwiched between two major recessions.

The failures of the 1960s and 1970s were failures of government. Over those decades, the nation experienced four failed presidencies in a row. In fact, the country had gone through a comparable experience earlier in this century. A decade of depression (the 1930s) was followed by a decade of world war (the 1940s). The difference was, those crises were resolved by the vigorous and innovative use of government. Franklin D. Roosevelt's fourterm presidency, which spanned most of those two decades, was a monumental success. To the Depression generation, government meant the New Deal, World War II and the prosperity of the 1950s. Government was the solution. To the generation that came of age in the 1960s and 1970s, government was the problem.

It was inflation that brought the anti-government revolt out into the open, starting with the passage of Proposition 13 in California in 1978. In repeated tests of public sentiment across the 1970s, big government was the institution most consistently blamed for inflation. Distrust of government was strongly related to support for Proposition 13 in California and for similar measures elsewhere - more strongly related than partisanship, ideology or income. As it happens, most of those who favored tax cuts did not feel that they were voting to reduce public services. According to a poll taken in 1978 by The Los Angeles Times, only 5 percent of Proposition 13 supporters thought government services would be cut back permanently as a result of the measure. Twenty-six percent felt other taxes would have to be raised. The prevailing view, held by 45 percent, was that the revenue loss

would be closed "by cutting out waste and inefficiency."

The single most prominent characteristic of public opinion during the 1970s was widespread disillusionment with government. The public did not reverse its position on the legitimacy of most government functions, such as helping the poor and regulating business. But the feeling grew that government had become excessively wasteful and ineffective in carrying out those functions. Something had to be done.

The anti-government revolt had been brewing for many years. Polls taken by the University of Michigan showed steadily rising anti-government feeling after 1964. The percentage of Americans who believed they could trust the government in Washington "to do what is right" went from 76 percent in 1964 to 54 percent in 1970, 33 percent in 1976 and 25 percent in 1980. The number who felt that the government was run "by a few big interests looking out for themselves" was 29 percent in 1964, 50 percent in 1970 and 69 percent in 1980. Less than half of the public thought the government wasted a lot of tax money in 1964; the figure was two thirds in 1970 and over three quarters by 1980.

Reagan's conservative regime is less a cause than a consequence of this trend. When he took office in 1981, the polls showed that the public strongly supported his new economic program of spending cuts and tax cuts. People supported it in spite of many doubts and reservations. What got the program through was the overwhelming mandate for change. When Reagan took office, inflation completely dominated all other issues on the national agenda. The chairman of the House Budget Committee observed, "The elections of 1978 and 1980 demonstrated dramatically that inflation had become the dominant issue and, in most (congressional) districts, your attitude on inflation is measured by your attitude on government spending."

To the Administration, however, the economic crisis provided the opportunity to accomplish what Republicans had been talking about for fifty years, namely, reducing the size and power of the federal government. The cuts in government spending at the heart of Reagan's economic plan were not the means toward the end of economic recovery. They were ends in themselves.

The American public was quite aware at the outset that the Administration's program would cause special hardship for the poor. Just after Reagan's first budget speech in 1981, the public was asked by ABC News and The Washington Post who they thought would be hurt the most by Reagan's proposed budget. Forty-two percent said poor people, 22 percent said middle-income people and 2 percent said the rich. Only 30 percent felt that everyone would be affected the same. The cross section was then asked, "Regardless of who might be hurt, would you say you generally approve or disapprove of the spending cuts Reagan has proposed?" The margin of approval was overwhelming, 72 to 21 percent, despite

the perceived unfairness of the program. The reason: by 64 to 28 percent, the public felt that President Reagan's program would help bring an end to inflation.

Even in 1981, however, it was difficult to find majority support for specific spending cuts. The ABC/Post poll asked people how they felt about spending cuts for fourteen specific programs, including child care, synthetic fuels, unemployment insurance, aid to the arts, food stamps, medicaid, student loans, public television and the postal service. The answers ranged from 4 percent who favored a decrease in spending for medicare to 49 percent who supported cuts in food stamps. In other words, a majority of Americans did not favor spending cuts in any specific program. They supported Reagan's program as a whole, however, including the spending cuts, because they wanted strong, decisive action to end the nation's economic crisis. The Administration's mandate was to "do something anything" to get the economy back on track, even if that entailed specific cuts that were not popular.

In his 1981 budget speech, President Reagan said, "Spending by government must be limited to those functions which are the proper province of government." The President may have been surprised to find out what the public thought the proper province of government was. In the ABC/Post survey, the same national cross section that approved the President's proposed spending cuts by more than three to one was asked whether they agreed with the following proposition: "The government should work to substantially reduce the income gap between rich and poor." They very definitely agreed, by a margin of 64 to 31 percent.

Polls like that reassure Democrats that Americans never intended to dismantle the welfare state. The anti-government revolt was more of a populist than a conservative phenomenon. But that does not mean it was any less real, or any less damaging, to the Democratic Party. The party became identified with the status quo and the vested interests who had been running things in Washington for fifty years. To most Americans, the federal government had become the establishment, and defending it meant defending statism and interest-group liberalism. Democrats tended to forget that their heroes, the Progressives and the New Deal liberals, used government power to attack the vested interests and the status quo. In the Reagan era, it was strange to reflect that the federal government had once been seen as an anti-establishment force.

Hidden-Agenda Politics

The crowning domestic achievement of the Reagan presidency - the one likely to have the most lasting impact - was tax reform. The most serious failure

of the Reagan presidency - the one likely to have the most lasting impact - was the deficit. Both are examples of hidden-agenda politics.

Senator Howard Baker, who was Senate Majority Leader when the Reagan economic program was set in place, offered a pointed observation in 1986 about President Reagan's priorities. "I think he would really like to get his fiscal house in order," Baker said. "But those who say that is last on his agenda are probably right. He wants tax reform and he wants a strong defense. And then he wants to balance the budget." Representative Kemp made the same point. "I remember very clearly Reagan being asked, 'What about the deficit?' He said, 'I would take a deficit if by a deficit I were able to implement my tax cut and my defense build-up.' I am sure Reagan talked about a balanced budget as a theoretical point. But the defense build-up and the tax cuts were sacrosanct."

Reducing the deficit was important to the President, at least as a rhetorical point. But keeping taxes down and defense spending up were more important. Reagan was not alone in this judgment. Throughout the Reagan Administration, everybody - Congress, the President, Democrats, Republicans and the American public - believed the deficit was a serious problem. But at the same time, everybody believed that something else - cutting entitlements, raising taxes, slashing defense spending - would create a worse problem. That is how the country got into the deficit mess in the first place.

There is not much evidence that Congress, the President, the Democrats or the Republicans have changed their minds. As for the public, a Time Magazine poll taken in October 1987, after the stock market crash, found the public opposed to raising taxes or reducing spending for social programs and split on reducing military spending. In fact, the public failed to accept the view that the stock market crash was a crisis. Most Americans said they were unaffected by the troubles on Wall Street. They continued to express confidence in the economy and did not foresee a serious economic downturn. A survey taken by the Conference Board found that consumer confidence dropped by only 5 percent after the stock market plunge. By comparison, consumer confidence dropped 33 percent after the 1973 surge in oil prices.

What did people think would happen as a result of high deficits? When CBS News and The New York Times asked this question in 1986, almost half of the public had no idea, and an additional ten percent said it would not affect them at all. The consequences people thought of most readily were higher interest rates, higher taxes and more inflation. But inflation remained low, taxes were cut and interest rates seemed reasonably stable. So what was the problem?

What people were afraid of was not the deficit, but what government might have to do to reduce the deficit. It was difficult to find majority support for any of the available options - cutting defense spending on social programs, cutting back on

entitlements like social security and medicare or, least popular of all, raising taxes. In early 1986, when Congress was wrestling with the Gramm-Rudman-Hollings "Balanced Budget and Emergency Deficit Control Act," The Los Angeles Times asked people to assess four options for dealing with the deficit. Two were soundly rejected: allowing the Gramm-Rudman sequesters to go into effect ("deep across-the-board budget cuts in defense and domestic programs") and passing what was identified as President Reagan's budget proposal ("no new taxes, an eight percent increase in defense spending and sharp reductions in domestic programs").

Two options were found to be acceptable. By far the most popular was the "grand compromise" smaller cuts in defense and domestic programs but also some tax increases in order to meet the goals of the Gramm-Rudman-Hollings Act. The problem was that neither the Administration nor the Democrats in Congress would support a tax increase. The other acceptable option? "Suspend the Gramm-Rudman Act; vote for some relatively small reductions in defense spending and domestic programs and only minor cuts in the federal budget deficit." Which is what Congress and the President eventually agreed to. In effect, the deficit institutionalized the Reagan Revolution. It paralyzed the welfare state while avoiding a frontal assault on social programs.

Democrats learned two big lessons from the Reagan era. One was that the only social programs that are politically secure are those that benefit everybody. Medicare, for example, is the principal enduring legacy of Lyndon Johnson's Great Society. Like social security, Medicare helps everybody, not just those in greatest financial need. The Democrats found it impossible to sustain support for LBJ's War on Poverty, however, precisely because it was not a universal "entitlement." It was targeted at the poor.

The other lesson: don't raise taxes that hurt everybody. Democrats saw what happened to Walter Mondale in 1984 when he proposed a general tax increase. The safest way to raise taxes is to target the increases. Make the beneficiaries pay the taxes (user fees). Earmark specific tax increases for specific programs (designated revenues). Or, best of all, shift the burden of paying for social programs from individual taxpayers to business (mandated benefits).

That is the language of "new ideas," and one heard it often from Democratic presidential candidates and congressional leaders who talked about "a new agenda for social progress." The objective was to get away from the old politics of taxing and spending, or more precisely, taxing us and spending on them.

There are two problems with this approach. It does very little to reduce the federal budget deficit. And it is inherently regressive. A great deal of money goes to people who don't really need it, essentially as a bribe for their political support, and people are taxed without regard to their ability to pay. Neither of these problems is a serious political liability, however. To the voters, a system that helps the

many and taxes the few seems eminently fair.

Polls taken since 1983 show that the public is more and more willing to pay higher taxes for a wide variety of social needs, such as improving the nation's educational system, repairing bridges and highways, protecting the environment and aiding the homeless and the hungry. The one thing people will still not pay higher taxes for is reducing the deficit. The public does not seem to mind taxes that are spent on legitimate social needs, but they draw the line at a deficit tax. That sounds too much like subsidizing big government.

And so Congress hit upon the notion of designated revenues. Raise a particular tax and make sure that people can see what it is being used for. That was the principle behind the highway bill passed in 1987 over President Reagan's veto. The bill designated revenues from the highway trust fund to pay for road and bridge construction. Congress proudly pointed to the fact that the bill did not do anything to increase the federal deficit. But it did not do anything to reduce the deficit either.

A related principle is that of "toll road" or "pay as you go" taxation. Make the people who use the service pay for it, so they feel they are getting something for their money. That is how the House of Representatives proposed financing the expansion of Medicare coverage to include catastrophic illnesses. The added benefits would be paid for by the elderly themselves. The higher payments were to be thought of as "premiums." The premiums would be mandatory, however, which means they are really a tax.

An even more ingenious solution to the revenue problem is not to raise taxes or spend government money at all. Just mandate that employers pay higher benefits to their workers. Thus, Congress considered bills to raise the minimum wage and to require employers to pay mandatory health insurance and grant parental and medical leave. The idea was to expand "workers' rights" and "family rights" that is, entitlements - by making business, not government, pay for them.

Such proposals elicit few complaints from taxpayers. According to a 1987 poll taken by the Service Employees International Union, the public supports legislation requiring employers to provide parental and medical leave by a margin of 77 to 15 percent. Raising the minimum wage is endorsed by 71 to 20 percent. By 62 to 29 percent, the public favors requiring employers to provide a basic minimum health insurance package to employees and their dependents.

These proposals elicit a great many complaints from business, particularly small business, which bears most of the burden. Most big business firms have the resources and flexibility to meet or surpass the mandated standards. According to John Sloan, Jr., president of the National Federation of Independent Business, "Congress is notorious for trotting out social programs which sound wonderful to everyone but must be paid for by the private sector. The private sector then has

no choice but to pass along those costs in the forms of higher prices, ... reduced wage increases, lower dividends, delayed capital investment and fewer jobs." What it adds up to, Sloan feels, is "a sure-fire recipe for reducing a nation's competitiveness."

Congress has been forced to be devious because Americans want more government than they are willing to pay for. Uwe E. Reinhardt has pointed out that in 1984, the total tax burden in the United States was lower than that of any industrialized country except Japan. And of those taxes we do collect, a higher proportion goes to defense.

Tax reform, like the deficit, also entailed a hidden agenda. In fact, it was the same agenda, namely, reducing the size and power of the federal government.

The tax issue today bears a striking resemblance to the tariff issue in nineteenth-century American politics. Before the income tax, the tariff was a major source of revenue for the federal government ("external" as opposed to "internal" revenue). Republicans supported a high tariff, not only because they wanted to protect American industry, but also because they favored a strong, activist federal government. The Democrats of that era tended to be anti-government; they were still the party of states' rights and laissez-faire. Consequently, every Democratic platform included a call for tariff reduction. The formula used was "a tariff for purposes of revenue only." Compare the basic philosophy of taxation Reagan revealed in his 1981 budget message to Congress, when he said, "The taxing power of government must be used to provide revenues for legitimate government purposes. It must not be used to regulate the economy or bring about social change." The issue now is the same as it was then, namely, shall we make the federal government less active and less powerful by starving it of funds?

In fact, taxes are used all the time for purposes other than raising revenue. One is to redistribute income from the rich to the poor. That is the purpose of progressivity in the tax code. President Reagan called this principle into question in 1985, when he said his tax reform proposal would make the tax system less progressive. "We believe that there's nothing progressive about tax rates that discourage people from climbing up the ladder of success," the President said. Unlike Reagan, Americans do believe in a progressive income tax. In a Roper Organization survey taken in 1986, a three-to-one majority rejected the idea of lowering the top tax rate to 35 percent for people with the highest incomes. The public wanted to see taxes raised for the wealthy and lowered or eliminated for the poor. As Howard Baker put it in 1986, "It is the most remarkable political paradox in my time, this support for the repeal of progressivity. Liberal Democrats, conservative Republicans - the abdication of progressivity as a public policy has near universal support. For the life of me, I don't know how that happened."

The use of taxes as an instrument of social policy is another principle that used

to be firmly established. The government has three means at its disposal to carry out a social objective. It can start a government-operated program, it can make transfer payments to individuals or it can offer tax incentives. To alleviate unemployment, for example, the government can create jobs, give money to the unemployed or offer tax incentives to induce businesses to hire the unemployed. In order to help poor people find housing, the government can build low-income housing projects, it can give poor people rent subsidies or it can give real-estate developers tax incentives to build low-cost housing.

In these and similar cases, the tax system is arguably the best way to achieve a policy objective. And the public has agreed. A 1986 Roper poll explained, "Aside from raising money, the taxing system in our country has come to be used for a variety of purposes - to redistribute the wealth, or to encourage or discourage certain types of behavior, or to stimulate segments of the economy, etc." People were then asked whether they thought the tax system would be used just to raise revenues or for other purposes as well, "bearing in mind that these other purposes can be ones that you disapprove of as well as purposes you approve of." A 51-38 percent majority said yes, taxes should be used for purposes other than raising revenues.

There is no question that using taxes as an instrument of social policy often led to inefficiency, inequity and abuse. Businesses and real-estate developers piled up tax advantages. Some industries were favored over others. Pointless research was done, unproductive workers were hired and uneconomic housing and office space got built. In too many cases, tax preferences were granted because of the political power of a well-organized special interest, and not in response to a legitimate social need. Both Republicans and Democrats saw tax reform as an irresistibly populist issue. Republicans could use it to shed their elitist image as the party of wealth and big business. Democrats could shake off the charge that their party was a captive of special interests.

The Administration liked to claim that, in the tax reform battle, President Reagan rallied public opinion against a hostile Congress. But that is not the way it happened. From beginning to end, the American public was wary of tax reform. What really happened was that Reagan rallied Congress against a hostile public. In the end, tax reform was a bipartisan effort supported by the President and by Democratic leaders in Congress, each side for its own reasons.

In July 1987, Reagan announced a drive for budget reform, hoping to duplicate his 1986 experience with tax reform. The American public was as skeptical of budget reform as it was of tax reform. The budget issue was different from tax reform, however, because there was almost no compatibility of interests between the President and Congress. It took an extraordinary presidential-congressional committee to come up with a budget compromise in November

1987, and that happened only because of pressure from the stock market and because of the impending deadline for automatic spending cuts.

Presidential candidates of both parties were extremely cautious in their response to the stock market crisis of October 1987. The leading candidates endorsed the idea of handing the deficit issue over to a bipartisan, legislative-executive committee - in other words, treating the issue as if it were "above politics" (and keeping it out of the campaign). Senate Minority Leader Robert Dole, for example, seconded New York Governor Mario Cuomo's call for a "National Economic Commission" to produce a detailed blueprint for balancing the budget - after the 1988 election. Only two candidates, Democrat Bruce Babbitt and Republican Pete Du Pont, offered any interesting new ideas for dealing with the deficit. But they were at the back of their respective packs, and their budget ideas were quickly labeled bold and unrealistic.

President Reagan's solution to the budget impasse was to demand procedural reforms - a balanced budget amendment to the Constitution and the power to veto individual items in spending bills. Congress's solution was to pass the Gramm-Rudman-Hollings bill mandating across-the-board budget cuts to meet deficit-reduction targets. In effect, what Congress and the President wanted were weapons to use against each other. The President wanted new powers to veto or outlaw congressional spending, while Congress threatened to hold the President's military budget hostage in order to force him to accept higher taxes. What the public wants is a process whereby both sides work together to keep the deficit under control. Eight years of confrontation may lead the public to conclude that they will never get such a process as long as there is a Republican in the White House. In which case, Reagan's confrontational strategy on the budget will turn out to have been a serious political blunder.

A Covert Foreign Policy

In future biographies of Ronald Reagan, the week between February 26 and March 4, 1987, will be called "The Revenge of the establishment." First the establishment passed judgment on the Reagan Administration and found its behavior unacceptable. Then reliable agents of the establishment were called in to repair the damage. This was quite a reversal for a President who made his career by running against establishments - first the Eastern establishment that controlled the Republican Party and then the liberal establishment that ran the federal government.

The Tower Commission, acting as the executive committee of the Washington power elite, reproached the Administration using the strongest terms of disapproval in the establishment's vocabulary: it called the Iran arms initiative "a very unprofessional operation." Recoiling from this harsh invective, the President

fired his Chief of Staff, Donald T. Regan, and replaced him with a consummate professional who had the total confidence of the power elite, former Senate Majority Leader Howard Baker. The appointment of Baker, along with Frank C. Carlucci as national security adviser and William H. Webster as director of the Central Intelligence Agency, were acts of penance designed to "restore credibility" with the Washington power elite.

The Iran arms deal and the diversion of funds to the contras in Nicaragua were motivated by ideology. They were carried out by zealots who had contempt for foreign policy professionals. Ideology is alien to the Washington power elite. Washington insiders prefer to deal with pragmatists and consensus-builders, moderates who are skilled at the art of compromise. Exactly like Howard Baker.

The Administration gave up its true believers, John M. Poindexter, Robert C. McFarlane and Oliver L. North, who saw the world in black and white. In their place came Baker, Carlucci and Webster, men with exemplary establishment credentials - a former congressional leader and presidential candidate, a career foreign service officer and former ambassador, an FBI director and former federal judge. More to the point, Baker, Carlucci and Webster made their reputations long before Reagan became President. Unlike their predecessors, they did not depend on Reagan for their legitimacy.

At the congressional hearings on the Irancontra affair, North offered an elaborate and compelling justification for covert operations. "I think it is very important for the American people to understand that this is a dangerous world ... and they ought not to be led to believe, as a consequence of these hearings, that this nation cannot or should not conduct covert operations." There was one big flaw in North's argument, however. What North was talking about was not a covert operation; it was a covert foreign policy.

A covert foreign policy is one that pursues secret objectives. Why did the Reagan Administration pursue a covert foreign policy? Because it could not get political support for the objectives it wanted to pursue. If the Congress or the American public knew that we were trading arms for hostages - thereby violating our explicit commitment never to negotiate with terrorists - there would have been a political explosion. As for sending military aid to the contras in Nicaragua, Congress, with demonstrable public support, had already placed severe restrictions on such a policy. The National Security Council, under the operational leadership of Colonel North, was not "executing" American foreign policy. It was making American foreign policy - and hiding that policy from the Congress, the American public and the world.

At one point North explained, "I want to go back to the whole intent of a covert operation. Part of a covert operation is to offer plausible deniability of the association of the government of the United States with the activity. Part of it is to

deceive our adversaries. Part of it is to ensure that those people who are at great peril carrying out those activities are not further endangered. All of those are good and sufficient reasons."

Those are indeed good and sufficient reasons for a covert operation. But in this case, it was the objectives and not just the operations that were being kept secret. North claimed that the Iranian arms deal had to be kept secret in order to combat terrorism and save lives. "I put great value on the lives of the American hostages," he explained. "We got three Americans back ... For almost 18 months there was no action against Americans." The assumption was that the goal - trading arms for hostages - was obvious and unobjectionable. Yet President Reagan himself refused to admit that that was what he was doing until the Tower Commission forced him to accept that conclusion.

The smoking gun did not turn up at the hearings, but President Reagan's credibility was severely damaged nonetheless. According to the polls, most Americans continued to believe Reagan lied about how much he knew. Two thirds believed Poindexter's testimony that Reagan had signed a document authorizing a direct arms-for-hostages trade with Iran, and of that number, over 60 percent thought Reagan was lying when he said he could not recall signing the document. In other words, in the public's view, North and Poindexter did not get Reagan off the hook. Their testimony implicated the President and other high Administration officials in the cover-up. Most Democrats wanted to see Reagan damaged but not destroyed by the scandal. That is exactly what happened.

Hence another puzzle: Reagan's approval rating was hardly affected by the Iran-contra hearings. It stayed at about 50 percent through all the tumultuous events of 1987. The big drop-off in public support had already come in late 1986. As soon as the public learned of the arms deal with Iran, they docked 20 points from the President's approval rating. When the L.A. Times asked people in July 1987 what upset them the most about the affair, the leading answer was the arms deal with Iran (27 percent). The cover-up, which the public suspected all along, came in second (20 percent). Only 4 percent were most upset by the diversion of funds to the contras. Even though the contra diversion was the smoking gun that could have led to impeachment proceedings, the public was far more disturbed by the spectacle of the President of the United States selling arms to Iran.

Coalition Government and "The Vision Gap"

The final report of the congressional committees investigating the Iran-contra affair, released in November 1987, did not mince words. It said that the President "created or at least tolerated an environment" in which people believed they could go above the law. It also said that President Reagan "abdicated his moral and legal responsibility" to "take care that the laws be faithfully executed."

The public's response appeared to be, "So what?" The President's job approval ratings remained stable at around 50 percent. Nothing that happened during 1987 - the Tower Commission report, the congressional hearings, the stock market crash - had a noticeable effect on the President's support. He neither gained nor lost popularity. About half of the public appeared to like Reagan no matter what happened. Which suggested, not that the President's position was secure, but that by the end of his Administration, he was becoming irrelevant. Events did not undo Reagan because he was not perceived to be in control of events.

The problem can be traced back to the 1984 election, when the President ran an essentially substanceless campaign. As noted, once inflation was subdued and the nation's sense of military security was restored, the public lost interest in the Reagan agenda. Reagan won a smashing re-election victory in 1984, but without an agenda and without Republican gains to support him. As a conservative activist observed, "I wish the President had proposed a serious program in that campaign. He might have ended up carrying 42 instead of 49 states, but at least he would have had a mandate."

The loss of the Senate in 1986, followed immediately by the Iran-contra scandal, further weakened the President's position. The Republicans lost the Senate despite a vigorous campaign by a President who was near the peak of his popularity. The 1986 results demonstrated that Reagan could be opposed with impunity. He had lost his power to rally the electorate. The Iran-contra scandal destroyed the President's remaining credibility. The President said at the outset that he was responsible for selling arms to Iran, but he argued that the policy was not a mistake. The public, horrified at this revelation, chose to disagree. The President also said at the outset that the diversion of profits to the contras was a mistake but that he was not responsible for it. The public refused to believe this either.

The end result was a coalition government. Whatever the President has accomplished during his second term, like tax reform, has required the support and collaboration of Congress. This meant, in effect, the support and collaboration of the Democrats. In his speech to the nation on August 12, 1987, the President listed four items on his agenda for the remainder of his Administration.

The first was the confirmation of Judge Robert Bork to the U.S. Supreme Court. Reagan lost that battle and, after being embarrassed by his second choice, he gave in and nominated someone more acceptable to Congress.

The President's second agenda item was his so-called "economic bill of rights," including lineitem veto power and a balanced budget amendment to the constitution. In the face of determined congressional opposition, both requests evaporated. Instead, Reagan had to endorse a budget compromise with Congress that involved \$9 billion in tax increases and \$5 billion in defense cuts.

Third, President Reagan endorsed a bipartisan peace plan for Nicaragua. Within days, however, the initiative passed to Central American leaders, who proposed a peace plan of their own. The Administration failed to become engaged in the diplomatic process, so the congressional leadership stepped into the void, with House Speaker Jim Wright taking the initiative.

Finally, the President called for "a comprehensive and verifiable agreement with the Soviet Union on reducing nuclear arms." Here too, the President had to share power with Congress. The Senate promised to be unusually conscientious in examining the treaty. Conservatives were suspicious of any deal with the Soviet Union, while many Democrats had been offended by the Administration's effort to reinterpret the 1972 anti-ballistic missile treaty in such a way as to allow testing of the Strategic Defense Initiative. The Administration got the treaty ratified for the same reason it got tax reform and anything else during Reagan's second term - because congressional Democrats decided that the item was on their agenda, too.

In 1987, President Reagan was forced to accept the fact that he could govern only in coalition with the Democrats. The 1988 campaign will require the two political parties to learn equally difficult lessons. The Republicans will learn that Reaganism is a spent political force. They will gain little by promising bold new policies aimed at continuing the Reagan Revolution. The Democrats will learn that Reagan has established a new institutional order. They will gain little by promising to undo that order. The mandate of the 1988 election will most likely be a weak one, more revisionist than visionary. It will be a mandate to correct the mistakes and excesses of the Reagan Revolution, not to extend the Revolution or destroy it.

For the party out of power, a political campaign is an exercise in market research. First, the opposition party has to find out what the voters want that they are not getting. Then it has to figure out how to sell it to them.

Look at the marketing strategies that have worked over the past 35 years:

- In 1952, after Harry Truman, the voters wanted a leader who was "above politics" - Eisenhower.
- After eight years of Ike, Americans wanted youth, vigor and dynamism - Kennedy.
- In 1968, when the country was being torn apart by racial violence, protest and the Vietnam war, the public wanted order. And so Nixon promised to "bring us together."
- After Watergate, what the country wanted was morality. Carter shrewdly read the national mood in 1976 and promised, "I will never lie to you."
- After four years of Carter, the country yearned for leadership. Which is exactly what Ronald Reagan had to sell.

The candidates who were doing well in the early stages of the 1988

campaign - Democrat Michael Dukakis and Republicans George Bush and Bob Dole - were all selling more or less the same thing: management, competence and experience. That seemed to be what the country was looking for, according to a Gallup poll taken in September 1987 for the Times Mirror Corporation. Respondents were asked which one of three qualities they considered most important when judging a candidate for President. The top-ranked quality, chosen by about half, was "ability to accomplish things." About a third said, "his stand on the issues," while only one in seven considered "character" most important. When asked what kind of experience better prepares someone to be President, "serving as a U.S. Senator or Congressman and gaining experience in Washington and in foreign policy" was preferred to "serving as a state's governor and gaining experience as the head of an administration" by a margin of 3 to 1.

Why were competence and management so important? Because that was what people were not getting from Ronald Reagan. The Iran-contra scandal drove the point home that President Reagan was a poor manager who often did not know what was going on inside his own government. Reagan's less-than-reassuring response to the stock market crash created the impression that economic policy was out of control. The President even had difficulty getting a Supreme Court nominee confirmed. The Reagan experience clearly damaged the image of the Republicans as the party of good management. But the Democrats have been unable to claim much of an advantage on that issue either. When a 1987 Times Mirror poll asked people which party was better able to manage the federal government, the result was almost a dead heat - 24 percent said the Republicans and 25 percent said the Democrats, while a plurality, 28 percent, volunteered the response that neither could manage the government very well.

In 1980, the Democrats, who were then the incumbents, tried to argue that the presidential election was about the future. In his acceptance speech at the Democratic National Convention, President Jimmy Carter depicted the election as "a stark choice between two men, two parties, two sharply different pictures of America and the world ... It is a choice between two futures." The "out" party tried to keep attention focused on the present. "Are you better off than you were four years ago?" asked Republican candidate Ronald Reagan in his closing statement at the final campaign debate.

In 1988, the same kind of choices are being posed. Only this time, the position of the "in" party and the "out" party are reversed. The incumbent Republicans must argue that the election is a referendum on the present: Are things better now than they were when the Democrats were in office? The Democrats, now the challengers, must try to make the election a referendum on the future: If we don't change direction, won't the country be headed for some kind of disaster? The public's inclination is to answer "Yes" to both questions. The

outcome depends on which party makes the more compelling case - whether the present or the future counts more in the voters' minds.

The partisan trends seem to favor the Democrats. The third quarter 1987 party identification figures from the Gallup Poll show the Democrats regaining a 42-29 percent lead over the Republicans. Two years earlier, following Reagan's reelection victory, the parties were nearly equal in strength. By about the same margin (41-28 percent), respondents to an October 1987 Time Magazine poll said it would be better for the country to have a Democrat rather than a Republican as the next President.

But the margin was much closer in a CBS News-New York Times survey taken after the stock market crash; 36 percent of registered voters said they expected to vote Democratic and 33 percent said they expected to vote Republican. There appears to be some disparity between wanting to see the Democrats win and being willing to vote for a Democratic candidate. At least part of the explanation lies in the fact that a majority of those polled said the Republicans had better presidential candidates.

According to the Gallup poll, economic problems - particularly unemployment and the federal budget deficit - have dominated the nation's concerns for several years, with international problems, including the arms race and the threat of war, running second. Gallup asks people which party they feel will do a better job of handling whatever problem most concerns them. The results of this question have closely predicted presidential election outcomes going back to 1956. The results for April 1987: 37 percent said the Democrats would do a better job and 29 percent said the Republicans.

Presidential election outcomes tend to be sensitive to two conditions - the popularity of the incumbent President and the condition of the economy. In 1983, political scientists Richard A. Brody and Lee Sigelman demonstrated that 50 percent is the break-even point for a President's job approval rating. Below 50 percent, a President is unlikely to be re-elected or succeeded by another President of the same party. Similarly, if the "misery index" - the sum of the nation's inflation and unemployment rates - rises above 10 percent, that means trouble for the incumbent party. Throughout 1987, President Reagan's popularity figures were running just below 50 percent in the Gallup Poll. The misery index was in the 11-12 percent range. Both indicators predict a change in control of the White House, but not by a decisive margin.

That would be consistent with the notion that there is a normal eight-year cycle in American politics. After a two-term Administration, the "out" party takes control of the White House, usually as a result of a close election with no elected incumbent on the ballot (1952, 1960, 1968, 1976). Two years into his term, the President's party suffers modest losses in the midterm congressional

election (1954, 1962, 1970, 1978). At the four-year mark, Presidents typically win re-election by a landslide (1956, 1964, 1972). Then comes the disastrous six-year midterm when the President's party suffers a severe setback (1958, 1966, 1974). That sets the stage for Year 1, a close election with no incumbent on the ballot and a change of party control.

Like most historical models, this one works except when it doesn't work. It certainly didn't work for Jimmy Carter in 1980, when he failed to win re-election at all, let alone by a landslide. So far, however, the model has held up pretty well for the Reagan presidency: a modest Republican setback in 1982, a landslide re-election in 1984, a major setback in 1986. If the model holds up, 1988 will be a close election with a slight advantage for the Democrats. A close election like those of 1960, 1968 and 1976 usually means a centrist campaign in which the candidates minimize their ideological difference.

By the end of 1987, political commentators were beginning to complain about a "vision gap" in the 1988 campaign. The two leading Republican candidates, Bush and Dole, had roots in the moderate wing of the GOP. Neither offered much by way of a vision of the country's future. All of the Democratic candidates except Jackson were pragmatists who espoused relatively conservative fiscal policies. In other words, they had learned to live with the Reagan Revolution.

Of course, there is still a market for visionary politics in both political parties. Candidates like Pat Robertson on the Republican side and Jesse Jackson and Paul Simon on the Democratic side - not to mention the Democrats' leading non-candidate, Mario Cuomo - tried to exploit their parties' dissatisfaction with a campaign obsessed with character and competence. In short, there are plenty of candidates out there with visions to sell. The problem is, after eight years of Ronald Reagan, the country seems to feel it has had enough vision for a while.

What the voters seem to want is change, but not too much change. A Time Magazine poll taken just after the October 1987 stock market crash showed 58 percent of the opinion that things are going fairly well or very well in the country down only slightly from the 60-62 percent who felt that way at various times earlier in the year. Only 36 percent were worried about their own financial future. But 46 percent were worried about the country's economic future. And 65 percent wanted to see the next President follow different policies from those of the Reagan Administration.

The polls also reveal a disparity between people's positive evaluations of their own personal well-being and their negative assessments of the national condition. A September 1987 Gallup poll showed 43 percent who felt financially better off than they were a year ago, compared to 29 percent who felt worse off. Eighty-three percent said they were satisfied with the way things were going in their personal life. When attention shifted from the personal to the national,

however, confidence dropped significantly. By 49 to 45 percent, people said they were dissatisfied with the way things were going in the country. The most negative result in four years.

What the voters seem to want is a new Administration that can go in and correct the mistakes of the old Administration. The Republicans may be just as capable of doing that as the Democrats, depending on whom they nominate and what kind of campaign they run. The voters are not likely to support a full-scale assault on Reaganism, however, unless the economy goes into a deep recession or there is a foreign policy disaster. If neither of those things happens, the new institutional order created during Reagan's first term and confirmed by the 1984 election is likely to persist. Why? Not because Reagan converted Americans to his beliefs or persuaded them to join his party, but because he did what all successful political innovators do he created new facts.