THE ANTI-ECONOMIST

The Age of Cruelty

By Jeff Madrick

Following heavy Democratic losses in the 2010 congressional elections, Barack Obama announced that he was reading a biography of Ronald Reagan to see how the great man had handled his party’s whopping 1982 midterm defeat. With the country mired in a deep recession, Republicans had lost twenty-seven seats in the House of Representatives. But Reagan maintained that recovery was around the corner. By the following year, the economy had bounced back and the unemployment rate, which in 1982 averaged nearly 10 percent, had begun falling sharply. Reagan easily won reelection in 1984. Having experienced even greater losses in the House, Obama hoped that Reagan’s story would provide a blueprint for his own political recovery—and perhaps it did, since he won reelection more comfortably than many pundits had predicted.

The center-left historian Sean Wilentz has called the period from 1974 to 2008 the Age of Reagan. In his book of that title, Wilentz expresses his grudging admiration for how our fortieth president transformed the nation. “Reagan,” writes Wilentz, “embodied a new fusion of deeply conservative politics with some of the rhetoric and even a bit of the spirit of Franklin D. Roosevelt’s New Deal and of John F. Kennedy’s New Frontier.” But this embrace of progressive rhetoric and spirit did not actually reflect Reagan’s damaging policies, a fact Wilentz can’t help but document. A more accurate name for Wilentz’s book—and for the era—might be the Age of Cruelty.

The reverence in which Americans of all political persuasion seem to hold Reagan today is absurd. As president, he created a phony—if romantic—picture of America’s past, a schoolboy’s fiction of a country forged by individualism. From this fiction came the dream that we could return to an earlier moral order in which citizens were supposedly freer. Of course, America was in part built by bold individualists, but it was also built by government investment in canals and railroads, in public water and urban sanitation systems, in highways, scientific research, free K–12 education, college subsidies, and a legal system that encouraged competition while protecting private property. If Reagan brought Americans optimism, it was optimism based on false hopes and misleading facts.

Wilentz’s Age of Reagan doesn’t end with Reagan himself or even his successor, George H. W. Bush, because the revived centrist outlook of the Democratic Party carried Reagan’s legacy through the Clinton years. The party’s movement toward the center brought with it concessions not only to Reagan but also to Milton Friedman, the right-wing economist whose ideas served as the intellectual buttress to Reagan’s Reader’s Digest ideology. “In many ways Milton Friedman was a devil figure in my youth, [an] Keynesian household of economists,” Clinton treasury secretary Lawrence Summers said in a 2001 interview with PBS.

I grew to see the issue as more nuanced as I was in school and ultimately have come to have enormous respect for Friedman’s views on a range of questions. That’s a respect that is born of the power of his arguments as one considers them more and more deeply.

Obama’s decision to place Summers and other Clintonites at the helm of his first-term economic-policy team was an early indication that his election represented a continuation of Reagan’s influence. And this spring’s budget debates remind us yet again that the Age of Cruelty continues. As a result of cuts imposed by the sequester, discretionary domestic spending could soon sink to its lowest level as a share of the total economy since the early 1960s, and the burden of these cuts will fall squarely on the poor. While the sequester targets infrastructure, education, and housing expenditures, ongoing budget negotiations will likely cut entitlement programs such as Medicare and Social Security. Taken together, these cuts would reflect an abdication by the government of its responsibility to maintain a decent society. This is Reagan’s true legacy, advanced in different ways by every occupant of the White House—Democrat and Republican alike—since his departure almost a quarter century ago.

Reaganite thinking has become so pervasive that it may be difficult to remember an earlier time. As governor of California, Reagan supported a 1973 ballot initiative that would have amended the state constitution to cap income taxes permanently. The measure was voted down by almost ten points. A healthy majority of Californians didn’t want their taxes cut, choosing instead to give their government an adequate budget to do its job. Five years later, however, Proposition 13, a similar initiative cutting and capping property taxes, passed overwhelmingly. That same
Darwin Panama
A warm weather hat hand woven in Ecuador from toquilla fiber with Australian styling. Braided kangaroo leather band, water resistant coating. Reinforced 4 ½” crown, 3” brim. Finished in USA.
S (6 ¾-6¾”) M (7-7 ¼”) L (7 ¼-7 ¾”) XL (7¾-7¾”) XXL (7¾-8”)
#1649 Darwin Panama $120

Panama Fedora
Classic sun protection, hand woven in Ecuador from toquilla fiber. Grosgrain ribbon band, water resistant coating. Reinforced 4 ½” crown, 2 ½” brim. Finished in USA.
S (6 ¾-6¾”) M (7-7 ¼”) L (7 ¼-7 ¾”) XL (7¾-7¾”) XXL (7¾-8”)
#1648 Panama Fedora $95

Add $9 handling per order. Satisfaction guaranteed.

Shop davidmorgan.com or request a catalog

Tilley® Hats from Canada
Northwest Jewelry Designs
Akubra® Hats from Australia

David Morgan
800-324-4934 davidmorgan.com
11812 N Creek Pkwy N, Ste 103 • Bothell, WA 98011

If you doubt the harshness of Reagan’s policies, remember that George H. W. Bush felt obliged to promise a “kinder, gentler” government than Reagan’s in order to get elected. The elder Bush signed into law the Americans with Disabilities Act, and he eventually supported a tax increase to close the deficit. Though this tax hike hurt Bush badly in his failed reelection campaign and helped bring Bill Clinton to office, the major achievement of Clinton’s own first term was raising income-tax rates on the well-off. This was a solid attack on the Reagan legacy.

But to win reelection in 1996, Clinton made a welfare-reform proposal so severe that even Bob Rubin, his Wall Street–groomed Treasury secretary, opposed it. Reagan had begun preaching about the evils of welfare while running for governor, and he coined
the phrase “welfare queen” in his 1976 presidential bid. Now Clinton hoped to “end welfare as we know it,” in large part through the creation of work requirements. His plan, Temporary Assistance to Needy Families, seemed a success in the strong economy of the late 1990s and even during the moderate recession of 2001. But in the recession of 2008, the floor fell out. Work requirements were okay if there were jobs, but now there were none. According to the Center on Budget and Policy Priorities, sixty-eight families received TANF for every one hundred families in poverty in 1996. By 2011, the proportion had fallen to twenty-seven families for every hundred. The inability of parents to meet the work requirements mandated under Clinton meant far more children than before were living in poverty.

One fact encapsulates Reagan’s impact on Clinton. As a candidate for president in 1992, Clinton had been enthusiastic about investing more in transportation infrastructure; so when the economic boom of the 1990s created a budget surplus, public works seemed an obvious recipient of increased funding. But under Rubin’s influence, Clinton promised instead to pay down the debt Reagan had built up. By Clinton’s last year in office, the federal government was spending less on infrastructure as a percentage of GDP than it had under Reagan.

Of course, Clinton’s debt trimming was utterly undone by George W. Bush, who proved more dedicated to Reagan’s vision than to his father’s kinder, gentler America. “I think he’s the most Reagan-like politician we have seen, certainly in the White House,” said Michael Deaver, a former Reagan aide. “I mean, his father was supposed to be the third term of the Reagan presidency—but then he wasn’t. This guy is.” The younger Bush cut taxes sharply, as we know, and then started two wars without funding them. In large part as a result of Bush’s policies, the economic recovery that followed the collapse of the dot-com bubble was the slowest in the post–World War II period. By Bush’s final year in office, the deficit had risen to about $1 trillion—demonstrating yet again that Reagan’s party isn’t opposed to irresponsible government spending, so long as the money doesn’t go to Americans in need. This deficit left America unprepared for the collapse in tax revenues that came with the financial crisis.

Having inherited this crisis, the Obama Administration ought to have made creating jobs its priority from day one. Instead, it joined the battle against the federal deficit even before Inauguration Day. In 2010, Obama appointed two deficit hawks, Erskine Bowles and Alan Simpson, to come up with a budget-balancing plan, which they did—an extremely stufl ying one, holding government spending to its average level since 1970 despite an aging population and rising health-care costs. Fortunately, the president did not accept the Bowles–Simpson commission’s recommendations, but deficit cutting rather than job creation remained Obama’s priority until 2011, and it seems now to have returned to the top of his list.

Obama has always been afraid of calling too much attention to government. The stimulus program established early in his first term may have kept the nation from an outright depression, but Obama didn’t boast about its benefits during his reelection campaign. And he certainly didn’t come back to Congress for more.

In his second inaugural speech, Obama listed a parade of goals that would make Americans proud of their citizenship again. At such times, he seems ready to fight for the social programs and public investments the nation needs for a strong recovery. But since then he’s continued to show himself to be a member of the austerity-economics brigade. His future budgets will be riddled with compromises. He’s likely to reduce Social Security benefits, and maybe even raise the Medicare eligibility age to sixty-seven. In a time of severe long-term unemployment and entrenched poverty, vital programs for the poor like Medicaid may be cut back. All of these cuts would be mistakes.

If Obama must use Reagan as a guide it should be as a guide to what not to do. It is time to bring the Age of Cruelty to an end.