

# After the Fall

## What Both Parties Have in Common

Joshua Cohen and Joel Rogers

First things first. As we write in early May, the primary season is only half over and the party conventions are months away. While we expect a Mondale victory on the first ballot in San Francisco, we are still not certain who the Democratic nominee will be. With regard to the fall elections, however, this uncertainty is irrelevant, for what should be done in November is already perfectly clear. Ronald Reagan should be retired, and anyone who cares at all about this country ought to contribute to that result. Minimally this means registering to vote, trudging down to the polls on First Tuesday, and pulling the Donkey's tail.

Getting rid of Reagan is not the most exciting political project we can imagine. But it is an important one, and no illusions about the alternatives to Reagan are required to see that. However bad the Democrats, Ronald Reagan is, quite simply, worse. A second Reagan administration would deliver sharper attacks on working people and the poor, greater chances of an invasion of Central America, and higher probabilities of nuclear war than any foreseeable Democratic alternative. For these reasons if for no others—leaving aside for the moment the appalling prospect of a fully Reaganized Supreme Court—our President should be turned out of office, and nothing we say below in criticism of the Democrats should be taken to imply otherwise.

But what happens after November? What will the big issues be?

Well, what you consider "big" depends on your sense of proportion, and *that*, as everyone knows, is a matter of perspective. If your perspective is provided by the current mainstream of American politics (i.e., the current leadership of the two major parties), the question of big issues can be answered with a mainstream list. But from a perspective outside the mainstream, a different set of issues appears much more important. These issues are big because they bear directly on the conditions of democratic order in America, and on how the benefits and burdens of social cooperation are currently distributed.<sup>1</sup>

Take poverty. As of 1982, the last year for which official figures are available, 34.4 million Americans were living below the poverty line (\$9,862 in cash income for a family of

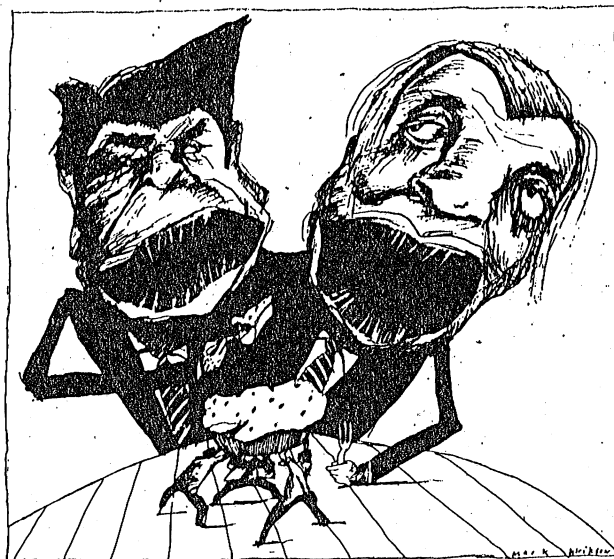


Illustration: Mark Ulriksen

four).<sup>2</sup> That represents 15 per cent of the total U.S. population—the highest poverty rate since 1965—and 35.6 per cent of the nation's black population. The ranks of the "super-poor" are also growing. In 1982, 6.0 per cent of American families had annual incomes under \$5000, up from 3.8 per cent in 1976 (using constant 1982 dollars). Over the same period, the share of black families with incomes under \$5000 (constant 1982 dollars) increased from 9.8 to 17.0 per cent. Many of the poor are children. Between 1979 and 1982, 3.1 million children (i.e. persons under the age of 18)—3000 per day—entered the poverty population, which now includes more than 13 million children, or 21 per cent of all children in America. Among children under the age of six, 23 per cent now live in poverty. Among black children under the age of six, 49.3 per cent now live in poverty.

Take family income. Median family income has declined steadily since 1978, and by 1982 it had dropped back to its lowest level since 1967. Those already below the median have been hit hardest. Among families in the bottom quintile of the population, average real disposable income (RDI) is expected to drop from \$7546 to

\$6833 (in constant 1982 dollars) over the 1979-1984 period, a decline of 9.4 percent. In the second lowest quintile, it is expected to drop from \$14,053 to \$13,549, a decline of 6.5 percent. RDI in the top quintile is expected to drop as well, but only by 0.5 percent, falling back from \$39,348 to \$39,158.<sup>3</sup> In fact, the top 5 per cent of the population—some 3 million families—now garner a larger share of national income than the bottom 40 per cent—some 25 million families. This is the most unequal distribution of U.S. income since the end of World War II.

Take employment and earnings. In 1983, unemployment averaged 9.5 per cent, the same as during the recession year of 1982. Among black and other non-white workers, it averaged 17.8 per cent, among women maintaining families, 12.2 per cent. Unemployment averaged 4.5 per cent in the 1950s, 4.8 per cent in the 1960s, and 6.2 per cent in the 1970s. Thus far in the 1980s it has averaged 8.3 per cent, and at the end of April 1984, 18 months into the Reagan recovery, the unemployment rate still stood at 7.7 per cent. Worker earnings have been suffering as well. In 1983 average real gross weekly earnings for workers in private, non-agricultural industries

stood just below their 1962 level, having fallen nearly 14 per cent from the postwar high reached in 1973.

The list could easily go on. Consider the strength of democratic process in the United States. Of countries holding regular elections, only Botswana has a participation rate consistently lower than the U.S.<sup>4</sup> Consider the vitality of worker organizations in America. Private sector unionization rates dropped 40 per cent in the 1970s. Only about 15 per cent of private sector workers are now unionized, a lower percentage than at any point since 1940. Or consider current U.S. policy in Central America and the Caribbean—military intervention in Grenada, sponsorship of the militarization of Honduras, support for the overthrow of the Nicaraguan government, and continued subsidy for terror in El Salvador.

But while poverty, inequality, joblessness, political decay, and the abuse of military power are all big issues, whoever wins the next election is unlikely to take them seriously. For if the Democrats are obviously preferable to Reagan, it is equally obvious that neither party plans a sharp break with the policies of the recent—or for that matter the distant—past. For all the talk of new ideas, new beginnings, next frontiers, and a renaissance of compassion, neither party is prepared to guarantee jobs, redress inequality, empower the poor, or refrain from using military force in the pursuit of private interests. Instead, virtually everyone in conventional politics agrees, the big issues of the post-election season will follow from the need to make "hard choices."

And what exactly are these?

Basically they are decisions about loss allocation, or, more properly, decisions about how, within a highly fragmented political system, to get those who can least afford it to accept further loss. Leaving out the (all significant) details, the background problem is familiar. In the America of the New Deal and the immediate postwar period, a system of institutional arrangements was forged to secure profits and tranquility at home, and military and economic dominance abroad. Bearing on such vital matters as the rights of workers, the cost of credit, the government's commitment to military and social spending, and

the regulation of select product and supply markets, these arrangements worked well for a while in providing a bottom line of private profits and steady growth. But they work no more.

Why this is the case is an interesting and important question, but it need not detain us here. What is important to see is that some sort of restructuring of these postwar arrangements is required, that such restructuring involves costs, and that someone will have to pay. The owlish question then becomes *Who?*—to which the programmatic answer offered by both parties is *working people and the poor*.

Republican and Democrats alike are unable and unwilling to organize a serious debate about restructuring. Instead they are now promoting what may be described as the lowest common denominator (LCD) program of a divided business community. While corporate elites war bitterly among themselves about the proper course of trade and industrial policy, they all agree (1) that pushing some costs onto workers—through attacks on unions, and general wage and benefit reductions—is a good way to pay for the costs of economic transition; and (2) that the increasing strain of international competition mandates a steady buildup in America's capacity to use force as an instrument of foreign policy.

Ronald Reagan, for all his rambling, is reasonably direct about this. On both fronts of the LCD program, he has already made significant advances. He has pushed through a monumentally regressive tax program. He has cut, confined, and defederalized an already feeble welfare state. And he has sponsored the largest peacetime military buildup in U.S. history, pushing the real level of military spending above the peak levels of the Vietnam War, and locking an increasing share of budgetary authority into virtually uncuttable procurement programs.

But the leaders of the Democratic party are also loyal to the common denominator. As Jesse Jackson has pointed out repeatedly, both parties are embarked upon the same course, albeit moving at different speeds. This can be seen most clearly in the current debate about the budget deficit, what is certain to be among the biggest of the big issues after the fall.

William Gladstone once observed that "budgets are not merely matters of arithmetic, but in a thousand ways go to the root of the prosperity of individuals, and relations of classes." The current budget mess is no exception. For all the technical details, and for all the differences between the parties, what is most striking about the current debate is the shared political framework within which that debate proceeds. In their budgetary proposals, both parties adopt the axioms of LCD philosophy—that it is okay to hurt poor people, that serious taxes on big wealth and big income are out of the question, and that the military buildup must continue—and thus nar-

rowly circumscribe the range of "responsible" initiatives.

Assuming these axioms, the budget problem looks like this. Deficit projections are now running in the range of \$200 billion-plus a year. Most everyone agrees that a near term deficit of about \$50-\$75 billion a year (1-2 per cent of GNP) is not such a dangerous thing. But that still leaves the problem of coming up with an additional \$125-\$150 billion in annual revenues or cuts sometime within the next few years. Programs for the poor are so minimal that cutting them promises only minor savings. Accordingly, and still with the conventional political assumptions just noted, the gap must be narrowed by some combination of: (1) slowing down, *not reversing*, the current military buildup (by eliminating the MX or the B-1 bomber, for example, or by stretching out the procurement of new aircraft carriers or tanks or Bradley fighting vehicles); (2) increasing a variety of discrete taxes to broaden the tax base and generate income without overhauling the system (through excise taxes on energy consumption, for example, limitations on the deductibility of interest payments on home mortgages, taxation of Social Security and other entitlement benefits, and the like); and (3) squeezing hard on "middle-class" (e.g. employed working class) entitlements, such as Social Security and, especially, Medicare.

These elements can be combined in infinitely many ways, of course, and it is disagreement about just how they should be combined that now defines policy differences between and within the parties.

Not all these differences are trivial. Fritz Mondale, for example, has proposed: (1) real annual increases in the military budget of "only" 4.5 per cent, thus cutting \$100 billion from the more than \$1.4 trillion proposed by Reagan for fiscal 1985 through 1988; (2) health care cost containment measures to save \$15 billion in Medicare outlays by fiscal 1989; however vaguely described, these are unlikely to match such Reagan proposals as sharply increasing direct billings to the elderly for short-term hospital stays, or directly taxing the Medicare benefits they do receive; and (3) new tax measures designed to raise \$60 billion in additional revenue by 1989, including such proposals as a surcharge on incomes over \$100,000 and the preservation of at least a minimum corporate tax. If such proposals were enacted, America would be a little more safe and equitable than it would be under a second assault by Reagan.

But it would be a mistake to exaggerate the differences between Republican and Democratic administrations. A Democratic universe after 1984 would still be a highly militarized one. And whatever tax and spending initiatives might be undertaken, substantial and growing inequality would remain. Surely no mainstream Democrat has used the budget problem to propose a new war on poverty, or a serious at-

tack on unemployment, or even a progressive overhaul of America's famously unprogressive tax system.

Equally, it would be foolish to rely on campaign promises as a guide to post-November action. Quite apart from the exaggerations and strategic self-presentation of the candidates themselves, the political parties that now confront the budget problem are profoundly infirm bodies, unable to control their members even if they wanted to. And since neither party wishes to be held accountable for its actions, each will have a strong incentive to promote a bipartisan approach to the deficit dilemma. Here, as in last year's runaround on Social Security, luminaries clustered in such groups as the American Enterprise Institute, the Hoover Institute, and the Brookings Institution can be invited in for their opinions (perhaps along with Peter Peterson's immaculately groomed bipartisan collection of former Treasury Secretaries). LCD politics can then be advertised as heroically "non-ideological" action taken in the national interest.

What is true of the budget is true of other major issues of public policy. Whatever the squabbles between the major parties, given their own weakness, and given the political assumptions that now dominate conventional politics, only variants on the LCD program will be pursued in the near term. The military buildup will continue. The poor and working populations will be further harmed. But elsewhere American politics will continue as a politics of muddling, offering short-term, piecemeal, contradictory "solutions" to an immense problem of social disorder. Gradually the political economy will be restructured, to be sure. But this restructuring will not result from the democratic wielding of public authority. Instead it will emerge out of the detritus of innumerable shakedowns and deals now being organized and cut between our more powerful private citizens.

But as preparations for the fall remind us, we still live in a society with regular elections. Policies cannot just be made. They must also be sold, and whether this selling succeeds or not is the great question. It is a political question, and its answer will only be provided by political action. Such action is finally unpredictable, but it is conditioned both by the material circumstances in which people find themselves and the forms of political coordination available to them. We consider the material circumstances first.

In the economy, a vast polarization of jobs and income is now underway. This is sometimes marketed in the press as the result of a "natural" transition to a service-based, as opposed to manufacturing-based, economy. Thus employment estimates for the 1980s indicate 53 per cent of new jobs generated in direct services, 28 per cent in trade, and only 5 per cent in manufacturing. This will accelerate the imbalance between sectors

in an economy that already employs more than 50 per cent of its workers in direct services, trade, and FIRE (finance, insurance, and real estate), and just over 20 per cent in the actual production of goods.

But as everyone knows, there are jobs and then there are jobs. Between 1969 and 1982 nearly two thirds (63 per cent) of net new jobs in the American economy were in sectors paying an average wage in 1980 of less than \$12,500 (roughly \$15,500 in current dollars). This downward pressure on an expanding bottom of the job pyramid is expected to increase over the next decade. Contrary to the much-celebrated promise of a high-tech, high-touch, hot-tub of employment happiness, the majority of jobs now coming available are not for full-time software designers, chemical engineers, bio-tech researchers, and options analysts, but for (often part-time, predominantly female) nurses' aides, secretaries, fast food workers, and the like. In this increasingly "hourglass" economy, the latter will be serving the former, not infrequently literally waiting on them: hand and foot (jobs for waiters and waitresses should increase by 360,000 over the 1980-1990 period, and the "personal service" market for foot massage and other niceties—year-round tannings, facials, full-body mudcakes—is doing nicely too). Meanwhile, the manufacturing counterparts of these low-paid service sector workers will find (a few) jobs in diversified small-scale production centers serving the upscale domestic market—for example, assembling custom stereo components in converted garages along Route 128. A very few will find work in revitalized industries serving the international market—for example, assembling the "world car," or jet fighters, for export.

In short, current developments in the economy are making some people much better off, and many more worse off. There are winners and losers, and, not surprisingly, this affects the shape of current politics.

The winners are being courted assiduously by both parties. Republican winners are so evident and numerous that they require no introduction. From Kiwanis Clubs to the Cabinet, from the beach house to the White House, their cheerful contempt for the poor, and hatred of all but the most corrupt of unions, is a well-known part of the American grain. Democratic winners, on the other hand, are a more novel breed, their ranks swelling daily with erstwhile baby-boomers. Much has been written about the latter, who are said to prefigure in their attitudes the future shape of the Democratic Party. Their winning ideology is Neo-Liberalism. What this means, it is said, is that they are "left" on foreign policy issues, and not so left on domestic ones. They claim to have "learned the lessons of Vietnam," while remaining "unafraid of a strong defense." They care deeply about the environment, less deeply about providing jobs. They are strong on civil liberties, and weak on income

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distribution. They think that the market has gotten a bum rap, and are frankly suspicious of the state. Their demographics are very very good. They are upscale YUPPIES (young urban professionals), YUCKIES (young urban college kids), SYLLIES (single young lawyers), and the like. Along with their Republican counterparts, they are among the most active members of the electorate, and the heirs apparent (some have already inherited) of the policy establishment.

Those who are losing out in the current shakedown are more numerous, but less represented in the major parties. Especially in view of current attacks on their well-being, this group might be thought a "natural" constituency for a (long-awaited) social democratic movement in the U.S. But there is very little that is natural in this world, least of all in American politics, and surely no guarantee that members of this group will see their interests in such terms. As ever, it is important to observe the obvious. There is a long and distinguished American tradition of popular resistance from below, and no one can predict when large scale opposition might once again emerge. But it is simply undeniable, and peculiarly American, that workers in this country have thus far not succeeded in forging durable political instruments to express their interests in the state. Social democracy is not now an available alternative in American politics, and its continued absence decisively shapes the behavior of both the major parties and the electorate, sometimes in curious ways. Thus Teamster President and Reagan supporter Jackie Presser (whose \$491,000 salary made him the highest paid labor official in America in 1983) predicts that workers in the devastated Midwest will vote for Reagan in even greater numbers this year than they did in 1980, because "the only thing these workers have left is to vote for a more secure America."

Looking beyond such immediate problems of national politics; there are many familiar obstacles to the emergence of a democratic alternative. Chiefly these are barriers of institutional decay and, above all, fragmentation. The highly federated structure of the American state, the barriers to third party entry into the political system, the weakness of the major parties that do exist, the addiction to private cash rather than public subsidy as the guarantee of electoral "competition," the profound weakness of the American labor movement, and the persistence of deep ethnic and racial cleavages have all worked to block the consolidation of democratic opposition. And despite the repeated provocations of Reaganism, the past few years have not brought an end to intense division among those who plausibly would join in such an effort.

The Jackson campaign—its successes notwithstanding—provides a case in point. Jackson's Rainbow Coalition has mobilized some of the key elements of a potential social demo-

cratic movement. It has activated voters who had previously abstained from national politics. And while it has often been interpreted as a movement whose sole aim is to broker a deal at the Democratic Party convention, or at best to reform Party rules and procedures, it has in fact served as a platform for raising more general issues of social justice. Thus the Rainbow Coalition would seem to hold out at least the potential for being something more and something better than another exercise in conventional politics.

Yet the Rainbow remains largely monochromatic, and as a consequence, its potential remains largely unexplored. Some may blame Jackson himself for this, but such blame seems disingenuous or at very best misplaced. Blacks and whites in America had problems with political coordination well before the rise of Jesse Jackson, and even if Jackson were not around, those problems surely would be. Quite apart from controversial personalities, fragmentation remains the order of the day. Divisions define the politics of opposition, drastically limiting the power of their appeal.

But if this is what American politics looks like now, there is no iron law that it must look that way forever. Things could always take a turn for the better. The question is whether different people differently situated will commit themselves to the coordinated action needed to make that turn happen. This is, finally, a highly personal question about political commitments and the willingness to act on those commitments.

Now without getting too personal, if you are reading this article, you are probably not among those who are losing out in American politics today. You may not be the wealthiest person in the world, but you are different from the average American worker in several respects. You probably have a job, or prospects of a job, paying well in excess of \$15,500 a year. You have savings, or prospects of savings, and you already know about or are learning about the thrills of CDs, T-bills, and other more adventurous investments. In short, you are doing okay, indeed more than okay, indeed better than the vast majority of Americans. And if you are made uneasy by all this you now have a choice to make.

You can accept what's going on in the country as disturbing, but inevitable, and seek some sort of accommodation to it. There are many role models here, and many even promote such accommodation as a more aware form of politics, sometimes advertised as "decentralist/globally responsible." This means you can celebrate the values of localism and community without considering capital migration and job turnover. And it means you can rest content with worrying about saving redwoods and the ozone layer, and not trouble yourself with structural unemployment and poverty. Social historians may someday call this "the moral economy of the separate deal."

Alternatively, you can decide to do something about the situation. Coming to this conclusion will probably require reaching some strong conclusions on certain basic issues of public order. You need to decide, for example, how much poverty and unemployment you are willing to see in this country, how much force you are willing to have this country visit on other people abroad, how far you are prepared to see government assert itself in a market economy, and how committed you are to the idea that the strength of a democracy depends upon the strength of its independent organizations, including organizations of workers. But most immediately it involves deciding whether you are willing to go into coalition with others—including those with whom you may not culturally identify—and to act out of political conviction rather than personal gain. There are many coalitions to join, and many actions to be taken, but first you must decide whether present circumstances compel your acting at all. Finally it is as simple, and difficult as that.

1. The phrase "benefits and burdens of social cooperation" comes from John Rawls, *A Theory of Justice* (Cambridge: Harvard University Press, 1971).

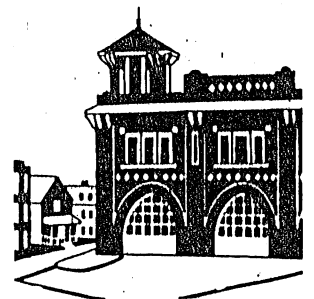
2. With a few exceptions (see footnotes 3-5), we have relied on readily available public sources (especially Census Bureau and Bureau of Labor Statistics publications) for the facts presented here. In the interests of space, we have omitted specific references to these sources.

3. See Frank Levy and Richard C. Michael, "The Way We'll Be in 1984: Recent Changes in the Level and Distribution of Disposable Income" (Washington, D.C.: The Urban Institute, 1983), Table 4-3. Levy and Michael measure real disposable income by adding cash income plus the value of food stamps, and then subtracting tax payments. This measure excludes unrealized capital gains, employer-provided benefits, and Medicare and Medicaid payments.

4. From a talk by Curtis Gans, Vice-President and Director of the Committee for the Study of the American Electorate, given at New York University, 26 September 1983.

5. For a detailed discussion of the evidence see Barry Bluestone, Bennett Harrison, and Lucy Gottham, "Storm Clouds on the Horizon: Labor Market Crises and Industrial Policy" (Brookline: Economics Education Project, 1984).

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