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# Mondale's Right Turn

By Thomas Ferguson and Joel Rogers

AT THE TIME the Democrats unveiled their industrial policy statement [in early 1983] almost everyone expected that either Walter Mondale or Edward Kennedy would represent the party in the next election. When Kennedy announced his withdrawal from the race, the torch fell effortlessly into Mondale's grasp. It was widely assumed — and the impression was assiduously cultivated by the Mondale camp — that the agenda worked out by the Democratic business groups and the Democratic National Committee (DNC) commanded support from the vast majority of the party and that, accordingly, the former vice president would sweep easily to the nomination.

For a while during 1983, this scenario did indeed seem to be coming true. From its command post in the Washington office of Winston & Strawn, a leading international law firm headquartered in Chicago, the Mondale campaign appeared to perfectly embody the coalition Democratic business leaders were seeking to build. At its informal center was a group of veteran Democratic businessmen with glittering multinational credentials, including C. Peter McColough of Xerox (prominent Democratic fundraiser, member of both the Business Council and the Business Roundtable, and a director of many concerns); Irving Shapiro (just retired as CEO of DuPont and co-chair of the Business Roundtable, but still active on the boards of such concerns as I.B.M., DuPont, Bechtel, and Boeing); Michael Blumenthal (former Carter Treasury Secretary, head of Burroughs, and director of such companies as Equitable Life and Bankers Trust); and several members of the Dayton family (longtime friends of the candidate, whose huge Minneapolis based retailing concern included on its board Bruce K. MacLaury, president of the Brookings Institution). Joining them were several prominent investment bankers who had long been associated with the Democratic Party, including Roger Altman of Lehman Brothers, and Mondale's close friend, Herbert Allen. San Francisco real estate magnate (and Coalition for a Democratic Majority member) Walter Shorenstein, Mel Swig (the chair of Fairmont Hotels), and a number of other prominent real estate members of the *Forbes* 400 "richest Americans" were also early members of the Mondale bandwagon.

For more than a year, Altman, Allen, and others in this group had been working to "educate" Mondale on their business-oriented views on taxes, social spending, and other issues. Under their guidance (and in some cases patronage, since Mondale was working for several of them), the candidate had begun a loudly proclaimed effort to fashion a "new" more centrist, business-oriented public image.

While these businessmen prepped Mondale, a small army of policy analysts occupying the multinational middle of the Democratic Party advised the campaign, including Sol Linowitz, investment banker David Aaron (previously with Carter's National Security Council), Trilateralist Henry Owen (another former Democatic official), and Walter Slocombe (also formerly of the State Department and a member of the Atlantic Council of the U.S. and the Trilateral Commission). C. Fred Bergsten, a strong free trade advocate and former Treasury official, whose new Institute for International Economics in Washington, D.C., had received a $4 million grant from the German Marshall Fund, advised the campaign on trade and monetary policies.

The Mondale campaign also raised funds from all the natural opponents of Reagan policies: real estate magnates, including both Fred and Donald Trump; insurance executives, including Aetna Life's John Filer and Connecticut General head Robert D. Kilpatrick; liberal internationalists with strong ties to Europe, including Thomas J. Watson, Jr., and the head of the German Marshall Fund; and many investment bankers, including Goldman Sachs head John L. Weinberg, Prudential-Bache chairman Harry Jacobs, William Hambrecht (whose Hambrecht & Quist dominated new issues in high tech), Irving Rothschild of Bear Stearns, and Peter Solomon of Lehman Brothers. Other business figures with a clear interest in arms control — such as Orion Picture's Arthur Krim (a veteran member of the advisory committee for the embattled Arms Control and Disarmament Agency) and grain dealer Dwayne O. Andreas (chair of the U.S.-U.S.S.R. Trade Council) — also contributed. So did several members of the Rockefeller family; leading Democratic members of the Trilateral Commission (including Owen and international lawyer Richard Gardner); several top executives in communications, including Capital Cities chair Thomas S. Murphy (a business partner of Robert Strauss); executives of other capital intensive internationally oriented businesses (including at least one from Control Data, from whose board Mondale was then prudently retiring); and Mondale's long-time friend John G. McMillian (on the board of whose Northwest Energy sat James Schlesinger, another Democrat with ties to both investment banking and the defense industry). Harold Brown, Carter's former Secretary of Defense and now a director of CBS, the *Washington Post*, and other multinationals, also advised Mondale informally. Over the course of 1983, many other liberal internationalist business figures who had previously backed Democrats (or, in 1980, Anderson) began to support the campaign, including Standard Shares' Irving Harris; Salomon Brothers' head John Gutfreund; Bear Stearns chair Maurice Greenberg; Morgan Stanley managing partner Richard Fisher; Lehman Brothers chair Lewis Glucksman; Goldman Sachs partner Robert Rubin (who eventually raised more than $1.8 million for the candidate); Brookings trustee James Wolfensohn; and, of course, Felix Rohatyn.

IN THE LATTER half of 1983, however, the aura of Mondale's invincibility began to tarnish, for the coalition it was based upon was proving desperately unstable. The basic problem was twofold. First, after three years of Republican rule, the organized mass base of the campaign was literally disappearing. From the beginning, the *raison d'etre* of Mondale's effort had been to find a compromise that both (parts of) big business and organized labor could support. That had been a guiding thought behind the party's industrial policy proposals, and it was also the reason Mondale kept courting

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the support of the AFL-CIO, whose precedent-shattering pre-primary endorsement he secured in October of 1983. Reeling from imports, high unemployment, and the new assaults by Reagan appointees at the NLRB and Labor Department, however, labor was losing its organizational effectiveness, even among its own confused and frightened members. Many Democratically oriented community organizations, meanwhile, were demoralized and running out of money.

Second, the economic recovery changed the calculus of interests among Democratic business groups, particularly among the new arrivals that the Democratic Business Council (DBC) and the recession had pulled into the party. In particular, with labor so transparently in decline, many corporate figures were beginning to wonder why they should deal with labor and the poor at all, and not explicitly seek to rearrange the party's mass base. Free traders who were willing to nod at limited protectionist initiatives at the bottom of a recession now began to question the need to compromise. Military contractors that had flocked into the DBC were tempted to gamble on getting a bigger share of the budget. As the military producers gained strength, the more ardent supporters of the freeze, cutbacks in military spending, and arms control sought to press their own concerns more vigorously. And with Mondale holding down most of organized labor, other candidates would be tempted to forge alternatives to the old Democratic coalition. . . .

In late January [1984] Mondale had opened negotiations with various groups favoring the freeze, and apparently some freeze supporters expressed their willingness to support him (others, however, including Helen Caldicott, declined). As John Glenn folded, however, Mondale moved further to the right. Though he preserved links with the freeze and arms control movements, he conveniently forgot his earlier misgivings over the Grenada invasion. Coming out in favor of a tough stand on Latin America, he called for a "quarantine" of Nicaragua, and talked up the "communist threat." While he did so, the hardest of the hardline Democrats — including at length even James Schlesinger — gathered round him. So did many of Glenn's financial backers, including the Stephens brothers of Arkansas and publishing executive Robert Farmer. . . .

THE CONVENTION itself proceeded smoothly. With Jackson, New York governor Mario Cuomo and others making memorable speeches, it was considerably more radical in its tone than the actual ticket, and brought Mondale a final lift in the polls to a virtual dead heat with Reagan. The tone of the convention and a few incidents in the Mondale campaign itself briefly alarmed some of Mondale's business backers, who complained to the candidate that "there has been some unfortunate choosing of words" in describing the Democratic Party's residual obligations to working people and the poor. But they need not have worried. As calls to revive the spirit of the New Deal still echoed in the convention center, he made the final blundering concession to business that turned an uphill struggle into a political charge of the light brigade.

Desperate for money and a few favorable press notices, he had made a fatal bargain. By the early summer of 1984, virtually all sectors of the business community were up in arms over the size of the deficits projected by the Reagan administration for the next several years. Though virtually all parts of the business community were involved in this agitation, the protests came most intensely from parts of the business community that were already close to Mondale and the Democrats — investment bankers and insurance company executives.*

To the Mondale campaign — whose economic advisers consisted almost wholly of investment bankers, such as Robert Hormats of Goldman Sachs, or economists with close ties to finance (including at least one who had actually worked for the Committee for a Responsible Budget, funded in part by the American Council of Life Insurance and closely associated with the Committee for Economic Development) — the agitation about the deficit appeared to be a golden opportunity. Here was a chance for Mondale, at one stroke, to shed the charges of "special interest" domination. By presenting a tough fiscal program and calling dramatically for a tax rise, he could throw Reagan on the defensive and demonstrate his ability to make tough decisions. He could secure support from major parts of the business community and obtain more favorable press notices.

In June, agitation within the business community over deficits crested. Led by a bipartisan group of former Treasury Secretaries, more than 100 business organizations descended on Washington to lobby for budget cuts. As the business groups lobbied, Mondale discussed the problem with influential Democrats, and made a tentative decision to make a major public statement. Investment banker Harry Jacobs, Jr., chair of Prudential-Bache, told the press that "Democrats, as a matter of business policy, need to take a strong and aggressive position on curbing deficits," and that "as a businessman, that's a contribution I can make to the Democratic platform." In July, two investment bankers who were later publicly identified as sources of Mondale's new "thinking on the need to reduce budget deficits" — Robert Rubin of Goldman Sachs and Roger Altman of Lehman Brothers — traveled to his Minnesota home to discuss the tax plan. At the convention, Mondale announced he would raise taxes, if elected.

To the immense relief of Reagan strategists (who later confessed their anxiety that Mondale would steal the tax reform issue from them), Mondale also turned aside pleas from many leading Democrats for a sweeping endorsement of tax reform. In this, Mondale was at least practicing the virtue of consistency. Because the "fair tax" and other reform proposals in the air threatened the special treatment of capital gains that was so important to investment bankers and the unique advantages enjoyed by real estate, neither of these key Democratic business constituencies had any enthusiasm for the reform issue. In abandoning it, Mondale merely confirmed the alliance with Democratic business elites that his promise to raise taxes had already signaled.

But the costs were high. Though Mondale appears to have thought he might gain the whole world, all in fact he had done was sell his own soul, and that of his party.

The investment bankers and insurance company executives in the campaign were, of course, gratified. Even

*Why investment bankers and insurance executives? Basically because, under Reagan, budget deficits had soared and were projected to rise even more over the next five years. No one in the business community liked these deficits, but various parts of the business community faced quite different situations as they sorted out their interests in the campaign. For example, weapons producers (for whom budget deficits show up as an entry in the profits column) and labor intensive manufacturers (whose supply of low-wage labor would be affected by cuts in social spending) had powerful incentives to stay with Reagan with the expectation that massive cuts in social spending would follow the Presidential re-election. Investments bankers and insurance executives, however, work in industries dependent on investor confidence in long-term bonds. Because perennially growing deficits erode such confidence, those executives were markedly more likely to contribute to Democrats in 1983 and 1984. For more details, see Chapter 5 and the statistical appendix to *Right Turn*.

dale lost, their preeminent issue uld be massively publicized, and the ty would be committed in advance major efforts at deficit reduction after election. No one else, however, saw ch reason to cheer. Less directly cerned than the financiers (and, for se on the outside, sometimes skepti- that Mondale really meant what he d), most industrialists preferred to it for a second Reagan administration chop social spending to the bone. Nor re industries hurt by the high ex- nge rate of the dollar moved by ndale's claims that lower deficits uld lead to lower interest rates. are, as one multinational Democrat ified, that if Mondale won, "labor uld have a stronger voice," these s were hardly enthusiastic at the spect of conceding in wages what y might gain on lower interest and change rates. And for all his talk, even ndale's commitment to lowering erest rates was doubted by many; all, he never made a major issue he Fed's tight-money policies. oor and middle class Americans also e unimpressed. Could even Jesse kson rouse a crowd of the unem- yed to march, sing, and demonstrate avor of higher taxes? Without any program at all? Many dispirited anizers of the foundation-sponsored out the vote" drives soon realized the answer was probably no.

HARASSED BY media attacks on Ferraro's tangled finances, Mondale's campaign [by late gust] sank lower and lower in the lls. With most of the business commu- y behind him, more than two thirds the press formally endorsing him (to istoric low of 9 percent for Mondale), d campaign contributions breaking all ords, Reagan had an easy time.

ertain to capture a heavy majority upper income groups, all the Presi- nt had to do was to split off a minority he working class vote. Unless the or voted in unprecedentedly large mbers, he would win by a landslide.

he Reagan campaign, accordingly, ed off the old tried and true formulas consternating blue collar voters. are, thanks to its highly sophisticated lling operation, that most affluent erican men and women would not e against their economic interests rely because the President endorsed e eccentric views on social issues, White House stepped up its appeals conservative religious groups. The sident praised Jerry Falwell, cam- gned at Catholic shrines, appeared on e with Catholic bishops, and de- nced abortion. He also associated himself with the Olympics, wrapped his campaign in the flag, and scored it with country music.

The White House also sat by while conservative groups operating "independently" of the campaign raised and spent some $10 million dollars for the President's reelection on their own.

Last, but hardly least, all the powers of incumbency were working for Reagan at the end of the campaign. The huge political business cycle was hitting its peak, with spectacular increases in personal income in the second quarter of 1984. Still suffering from criticism of parts of his weapons program, the President pushed ahead with his huge Strategic Defense ("Star Wars") Initiative, announced at the very end of the recession. With at least $26 billion in appropriations over its first five years, and almost infinite amounts promised down the road, the Star Wars program (even more than the rest of the Reagan military buildup) represented a lucrative alternative to the Democrats' industrial policy proposals. It subsidized "sunrise" sectors and high-tech concerns feeling pressure from the Japanese, without forcing them either to compete directly or make a general compromise on trade. Continuing its piecemeal approach to the trade issue, in September the White House issued its long-awaited plan for the American steel industry. Here it broke with its professed free trade "principles," and pledged to roll back steel imports, and gave its negotiators until December to work out market sharing agreements with the Europeans and Japanese. In contrast to plans put forward by some Democrats and earlier adjustment schemes implemented under Carter, however, it did not ask the industry for commitments on reinvestment or employee retraining. In short, Reagan was offering something to almost everyone except workers and the poor.

***Though Mondale appears to have thought he might gain the whole world, all in fact he had done was sell his own soul, and that of his party.***

In the final weeks of the campaign, Mondale accused Reagan of having a secret plan to raise taxes after the election. Until Reagan's announcement of an upcoming summit with the Soviets, he flogged away at the arms control and nuclear terror issues. In a memorable speech at George Washington University, he stepped up his rhetoric and briefly seemed to come alive:

This election is not about jelly beans and pen pals. It is about toxic dumps that give cancer to our children. This election is not about country music and birthday cakes. It is about old people who can't pay for medicine. This election is not about the Olympic torch. It is about the civil-rights laws that opened athletics to women and minorities who won those gold medals. . . . This election is not about slogans, like "standing tall." It is about specifics, like the nuclear freeze — because if those weapons go off, no one will be left standing at all.

But Mondale still did not have a jobs program to offer, and when the campaign even made noises about redistribution from the rich, his business supporters sharply complained (at one point drawing from Mondale the reply, "Oh my goodness, I'm so sorry. There's nothing wrong with wanting to be rich. I want to be rich."). Returning again and again to the deficit issue, the Mondale campaign turned aside proposals from veteran mediaman Tony Schwartz and others for a series of hard-hitting attacks on the Republicans. Once again, the business candidate had almost nothing concrete to offer voters, other than higher taxes.

The Democrats also declined to push hard on efforts to register new voters. Many non-partisan groups, to be sure, ran registration efforts aimed at likely Democratic voters. There were more than a hundred of them, supported by about $5 million in foundation and other funding in 1983-84. In addition to canvassing and other traditional registration techniques, several groups attempted strategies of "wholesale" registration, signing people up at social service waiting rooms, welfare centers, surplus food distribution lines, and the like. One organization, Human SERVE (Service Employees Registration and Voter Education), attempted to persuade social service agencies, both private and public, to offer registration as a regular service.

Throughout all this, the national Democratic establishment sat on the sidelines. There was still talk of voter mobilization, but it was mostly just talk. After months of Democratic stalling on the issue, Mondale's own field director, Mike Ford, urged him desperately to spend the money needed (on Ford's estimate, $12 million) to register 5-6 million black, Hispanic, and union voters. But this was not to be. Despite various pledges to spend $5, $10, or $13 million on a national effort, the Democrats wound up spending only about $2 million, most of which was expended late in the campaign on "get out the vote" drives. Of that, about half went to state officials, many of whom had been hostile to the original registration efforts; the other half apparently went to a variety of groups, mostly black led, with a former Jackson staffer Ernest Green (who had been taken on by the Mondale campaign to appease Jackson) dispensing the monies. By the time the money was distributed, Ford had left the campaign.

Nor did the DNC supply much non-material support. When organizers encountered resistance from local and state Democratic officials, and asked the DNC to use its clout to stop it, they were turned aside. And it was only late in September, less than a month before most registration rolls closed for the season, that Manatt was even moved to write to major Democratic executives at the state and local level to urge their cooperation in voter registration efforts.

The end result was a rough draw between the non-partisan Democratically oriented groups and the GOP and its "independents." Both could take credit for about 3.5 million of the approximately 7 million new people registered through group activity. Turnout went up absolutely, but stagnated as a percentage of the eligible electorate. So much for the "reaching down" effort that Samuel Huntington and other revisionist Democrats labeled a "proven failure" immediately after the election.

MEANWHILE, as the Democrats temporized on this and other issues, top aides to the President (as well as a special team of reporters working for the *Washington Post* and *Newsweek* who had been in on the secret) kept silent about a potentially explosive campaign story — that there really was a secret tax plan. Officially laid plans to further cut the budget of the EPA (leading soon after the election to the resignation of William Ruckelshaus, the Weyerhauser VP to whom Reagan had recently gien the post after a major scandal) were also not discussed. While Reagan assured audiences that the U.S. would simply grow out of $200 billion annual budget deficits, J. Peter Grace and other top business supporters prepared a massive anti-deficit ad campaign to begin on election night. Asked later about the cynicism of this move, especially given that his company paid only a 0.2 perce[nt] tax rate on profits over 1981-84, Gra[ce] would later explain that "we are n[ot] concerned about the deficit," rather "we are concerned about the level o[f] spending."

On election day, an electorate that knew nothing of this voted. There were no surprises. Faced with a choice between someone who at least talked about growth, and delivered one of the greatest political business cycles, and someone whose only firm promise was to raise taxes, the half the electorate that made it to the polls opted decisively for growth. Blacks, Jews, and the very poorest Americans voted for Mondale. Everyone else, in percentages that rose directly with income, voted overwhelmingly for Ronald Reagan.

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# Biotechnology and the Transformation of Nature

*By Leila Levinson*

*Austin*

ON APRIL 29, 1986, *The New York Times* carried a story which seemed routine enough on its face but which held critical implications for scientists, farmers, and, ultimately, for us all. The subject of the story was genetic engineering. The key actors: two Texas scientists — one at Baylor School of Medicine, the other at Texas A&M. The news: two years ago the scientists had inoculated pigs in Lometa, in Central Texas, with a genetically altered virus — the first release of a genetically engineered organism into the environment. This historic release violated federal and university guidelines because it occurred without the knowledge and required approval of a federal agency.

When questioned at a Congressional subcommittee hearing on April 29, Dr. Saul Kit of Baylor stated that he did not seek approval for the field test because neither he nor his colleague, Dr. Stewart McConnell, considered the vaccine to be a genetically engineered organism. Both scientists have interests in the vaccine's profitability. McConnell left Texas A&M to become vice president of Novagene, the biotechnology firm that patented the virus vaccine. Kit is chairman of the firm's scientific advisory board, a position for which he is financially compensated. Novagene receives 50 percent of the royalties from the patent, half of which it splits with Baylor.

The position taken by Kit and McConnell is considered a minority view among leading scientists. Dr. Neville Clarke, director of the Texas Agricultural Experiment Station at Texas A&M, told the *Times*, "I think most knowledgeable people would agree that this is a recombinant [genetically manipulated] product, and we are concerned that in this case rules were violated."

Because the federal government is currently considering deregulating biotechnology, the incident raises important issues at a crucial juncture. Since this new technology is capable of transforming the world in surprising ways, the social, ethical, and environmental implications of genetic engineering ought to be given full public consideration.

GENETIC ENGINEERING is the manipulation of the genetic structures of plants, animals and microbes. Biotechnology is the general term for the industry which has, thus far, produced synthetic insulin, interferon (a protein that regulates the body's immune response), a growth hormone, "super" cows capable of producing 25 percent more milk, herbicide-resistant crops, embryo transfers in livestock, and microchemicals which "turn on" genes of crops for better nitrogen fixation or to produce a desired size.

The birthdate of this revolutionary technology is officially set in 1953. That year, James Watson and Francis Crick discovered that the structure of the DNA molecule, the source of genetic information, is a double helix. Within five years scientists had found a way to split the two strands of the molecule down the middle; the molecule duplicated itself by recombining with a second complementary strand. Recombinant DNA product became a reality in 1971, when Paul Berg of Stanford University split the

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