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New Paradigm

Post-Modern Politics: The Search For A New Paradigm

Remarks by

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to the

Indianapolis Corporate Community Council

September 17, 1991

I'm here to talk about politics, but only indirectly. Aristotle said, "Let me write a nation's songs, and I care not for its laws." It wasn't that Aristotle didn't care about law - he did. But he recognized that a nation's culture determines its politics.

As politically involved as we all are, words like "husband," or "wife," or "parent," or "executive," or "environmentalist," or "jock" or "couch potato" may mean a more to you than "Republican" or "Democrat." Maybe those cleavages are part of the problem. Nationwide, only half of Americans even vote. In his best-selling book, Parliament of Whores, P.J. O'Rourke cites a good government study decrying the public's "glacial indifference" to elections. As O'Rourke puts it, "This is an insult to glaciers. An Ice Age would be fascinating compared with government."

Boring as it may be, we should all be interested in something that consumes more than a third of our national wealth. Its ability -- or inability -- to insure domestic tranquility, provide for the common defense, and promote the general welfare has profound impact on your lives, today and tomorrow.

Another new book says it all in the title: Why Americans Hate Politics. What's gone wrong? Why did the system once work better than it does now?

One thing we know for sure: the problem is not lack of money. The Federal government alone spends \$150 billion a year fighting poverty. That's \$5000 for every poor person in this country. Someone suggested we just give them the money and let them start their own war on poverty! But of course that wouldn't work; we've learned from bitter experience that you can not simply throw money at problems. Of course, most spending has nothing to do with poverty. Overall, federal, state, and local governments will spend \$1.5 trillion here at home this year, excluding defense, foreign aid, and interest on the debt. One-and-a-half trillion dollars -- does anyone think we're getting our money's worth? Crime is worse, homelessness is worse, our cities are worse. The real issue is not quantity of money we're spending, it's the quality of the results we're getting.

Consider education: why is it that we spend \$400 billion a year, \$5600 per student, up more than 35% per pupil, adjusted for inflation just in the last decade, more than any other country in the world, yet we're 14th in achievement? Because the bureaucratic monopoly system we have now doesn't work, that's why. Last month we learned that S.A.T. scores went down for the fourth year in a row.

The German philosopher Hegel said, "The Owl of Minerva takes flight only in the gathering darkness." Forgive the Romantics for getting carried away, but he's right: new wisdom arrives when there is a crisis of the old order. This was Thomas Kuhn's insight about paradigm shifts. The terminal crisis of the Old Paradigm is a siren in the night. Not everyone hears it, but we do. Even if we don't agree on first steps, we know that in the long run what comes will be different. Agreeing that tweaking the system isn't good enough, that we need to transform it, is a start.

Remember the brain teaser in which you have to connect the nine dots with four lines without taking the pencil off the page? Today, we need to do more than just get outside the nine dots of the existing Old Paradigm, or model, of government. As public and private organizations scattered across the country are already doing:

For example:

Parochial schools can teach all of us something about educating children. In New York City, the Catholic schools do a better job for less than one-fourth the cost. The reason is simple: they have less than a tenth of the proportionate administrative overhead, and they never forgot about rigor and discipline.

Vince Lane, the Chairman of the Chicago Housing Authority, is transforming one of the most corrupt bureaucracies in the nation, surviving brickbats from special interests and death threats from drug-pushing street gangs.

Ford makes as many cars today as it did a decade ago, with half as many employees. This has been a difficult, wrenching process, but it beats the alternative to streamlining and restructuring: which is bankruptcy.

And John Mutz and the Lilly Endowment are working to restructure education and welfare here in Indiana.

Our ancestors had a great new idea 100 years ago -- modern bureaucracy -- to solve social problems. Modern bureaucracy worked well in the era of heavy industry. Of course it did! Both industry and bureaucracy were created at about the same time. Bureaucracy has the rhythm of mass production -- assembly lines, interchangeable parts, standardized work rules. The Federal government as we know it today was largely constructed

between 1883 -- the beginning of Civil Service -- and the New Deal. Let's give credit where credit is due: modern bureaucracy helped make our lives less nasty, brutish, and short. That was then. Now the question is: what structure, what paradigm, will preserve the progress of the past and enable all of us to move ahead?

The government has gotten bigger since the 30s, but not better. That the old system doesn't work to solve new problems is not the fault of the old system's designers; it's our fault, for not continuously improving the system. So today, it's our problem. Good intentions yield unintended bad consequences. This explains the phenomenon we've all noticed -- that the average government employee is a well-meaning, hard-working, competent person, trapped in the same obsolete system that ensnares us all.

Victory abroad gives us the chance to take a long hard look at ourselves here at home. We must explore alternatives. After all, the only power we have in this world is the power of an alternative. Mindful of lessons learned, we shouldn't hesitate to let go of the dark past.

"Modernism" itself was the movement in art and culture beginning in the late 19th century through the middle of this century. Woody Allen said that modernism began when Nietzsche declared "God is dead" and ended when the Beatles sang "I Wanna Hold Your Hand." So "modern" refers to a specific period, as we indicate when we say "modern art." "Modern" is not to be confused with "contemporary." Picasso, Martha Graham, Mies van der Rohe, T.S. Eliot, and Freud were, each in his or her own way, modern. Modernism was inspired and provoked by the Industrial Revolution. Henry Adams, the famous Gilded Age writer, went to the 1900 Paris Exposition -- at the dawn of the modern age -- and was so overcome by the machines he saw that he compared The Dynamo to the Virgin Mary. Modernism sought to re-examine our place in the universe: it extended romanticism, but it was also a movement toward the abstract, rejecting history and tradition. Whereas the Pre-Moderns, from Plato to Coleridge, thought that art was divinely inspired, Andre Malraux perfectly expressed the secular modern view that, "All art is a rebellion against man's fate."

I realize that most Americans rarely visit museums, or even look very long at coffee-table art books by Rizzoli. However, everyone sees the residue of modern art when they walk down the street or watch TV. Furthermore, you don't need to be a Jungian to realize that there is a collective unconscious of signs and symbols that patterns our thinking. Thus, modernism is just another in a long series of cultural and political archetypes that have been encoded into our brains. Modern politics is a reflected artifact of modern art.

If the story of the 18th and 19th century is the mostly successful effort of science to impose order on nature, then the story of the 20th century is the disastrous follow-up attempt to impose pseudo-scientific order on human nature. C.S. Lewis, echoing Dickens, observed that this modern century has been the best of times and the worst of times. Human nature doesn't change very fast, but technology does. We have vastly more power to give life or bring death to millions.

✓ Modern social science gave birth to modern bureaucracy.  
Bureaucracy was the chosen instrument of modernization. In the brave new world of central planning, the theory was that social engineers would give orders to social workers, who would descend on the masses proclaiming "we're from the government and we're here to help you." ✓ Communism is modernism on steroids.

I can put it bluntly. If we want to continue to be #1, we need to transcend the legacy of modernism -- modern thought and modern institutions, including bureaucracy. You know how different American society is today compared to 1960 or even 1970. We're different; we're post-modern. Yet the government has not kept up. People sense it intuitively: modern government is trying to run a post-modern society, and it is failing.

Every human institution goes through a life cycle of youthful enthusiasm, maturity, and finally obsolescence, incompetence, and death. So it is with modernism. So it is with bureaucracy. Something different came before it. Something different will come after. To repeat: the dilemmas we face result from an aging bureaucratic system confronting diverse, post-modern people. What do I mean by post-modern?

American culture today is "post-modern." Artists as diverse as David Hockney, Allen Ginsberg, Michael Graves, Umberto Eco, and even Andy Warhol are post-modern. MTV is post-modern. Post-modernism is eclectic, drawing together the different strands of earlier styles. Post-modernism is open to new influences, but also respectful of history in a way that the moderns were not. A good example of post-modern architecture is Philip Johnson's AT&T building in New York City, a sleek skyscraper topped with an ornamental 18th century Chippendale pediment. This eclectic combination exemplifies post-modernism. When we speak of these things, we aren't describing what we're for or against. We're describing what is.

And if our culture is post-modern, then it follows that everything else will be affected. Remember what Aristotle said about the subservient relationship of politics to culture? Or, as Barry Manilow might sing: "I write the songs, I write the laws."

Two years ago, Senator Daniel Patrick Moynihan wrote that the underclass is a "post-industrial" -- another name for post-modern -- social problem. The poverty of the underclass is qualitatively different from what we have seen before. The new

problems are violence, teen pregnancy, and drugs. Hundreds of billions of dollars later, we have figured out that these kinds of problems can not be remedied by the same old bureaucratic approaches. With apologies to Mrs. Fletcher, the old lady in the Life-Alert commercial, modernism has fallen, and it can't get up!

Network TV is modern -- you watch what they put on. Cable is post-modern -- you have a choice.

The Postal Service is modern. Faxing and E-mailing are post-modern.

Plastic surgery is modern. Staying out of the sun is post-modern.

Structures and categories are modern. Organic communities and fuzzy logic are post-modern.

Keeping the Dead Sea Scrolls secret for more than 40 years is modern. Using a computer to reaggregate the concordance to reverse engineer and then publish the text so that everyone can read it is post-modern.

"Groupthink" is modern. "Just Do It" is post-modern. In a fast-changing world, you can't wait for decisions to go up and down the ladder. New organizations are required. At the moment an airplane takes off from an aircraft carrier, the most important person on the ship is the sailor on deck waving the flag. The person who encounters the problem is the expert on the problem. If the system prevents that individual from acting to solve the problem, then it's a bad system.

Going to business school is modern. The One Minute Manager is post-modern.

"Coke Is It" -- modern. It focuses on the product -- suggesting that Coca-Cola is the unitary totality that will solve your problems. Pepsi's "You got the right one baby -- uh huh" is post-modern, because it shifts the focus from the product to the person, acknowledging that the sovereign consumer, not the giant company, is the ultimate arbiter of what is and what is not "it."

PC -- political correctness -- is modern dogmatism. The PC -- the personal computer -- is post-modern because it expands choice and freedom.

Searching for the one theory of race or class that explains everything is modern. It's been called "the synoptic aspiration." You all know the first three books of the New Testament are the Synoptic Gospels, so called because they offer a unified, all-encompassing vision. The secular synoptic aspiration manifests the hubris of the moderns on the left or the right that they could become new men, or supermen. Post-modernists embrace the metaphor of the market because they know that one size does not fit all: there is no one solution, only solutions, plural.

The effort of the Left to defeat Clarence Thomas for the Supreme Court is a modern effort to impose monolithic conformity; the Left is terrified that Thomas's post-modern thinking on empowerment and individual achievement will threaten their monopoly on the Black agenda.

The Soviet Union was relentlessly modern. It was a reasonably functional evil empire in a less complex world. Russia was pre-modern. Now it is becoming post-modern.

Johnny Carson -- modern. David Letterman -- post-modern. "Stupid Pet Tricks" anticipated "America's Funniest Home Videos" -- the ultimate post-modern show.

Paul Simon, the liberal senator, is modern. Paul Simon, the gatherer of Third World music, is post-modern.

Bureaucratic utopianism is modern. Points of Light are post-modern.

Austere high rises and empty downtowns at night are modern. That's the way modern architects wanted it. One of the most famous, Corbusier, wanted to flatten historic Paris and build skyscrapers. He said that the cafes of Paris were the "fungus of the streets," which should have no pedestrians; they should be "machines for cars." Post-moderns want buildings to be loose and lively, mindful of history, and above all, mindful of the people who live and work in them.

The idea that the government can take care of us is modern. Term limits are post-modern.

A majority of Americans think like this. They are post-modern. They just don't know it yet.

Some professors might claim that post-modernism is associated, like them, with the Old Paradigm political left. But this has more to do with the left's ability to assign labels than the essence of post-modernism. Indeed, since the contemporary post-modern era has seen the death of collectivism and the renaissance of free market economics, one could certainly draw the opposite conclusion!

History is a feast of ironies. E.J. Dionne observed that the new left and the counterculture prepared the way for Ronald Reagan with its anti-bureaucratic, libertarian themes. It was students at Berkeley who shouted "do not fold, spindle, or mutilate." Dionne points to the 1971 protest song in which Crosby, Stills, Nash and Young declared: "Rules and regulations, who needs them? Throw them out the door!" Thus spoke these unlikely prophets of the Reagan Revolution.

Post-modernism has evolved from modernism, but it's got its troubles. Consider the post-modern family. I've already mentioned the tragedy of the underclass. But the middle class

faces great difficulty: latchkey kids, no moral guidance, declining achievement. Parents have their own problems with the two-worker, long-commute, no-quality-time family grind. We now know now "Supermom" was mostly myth. And, as Robert Bly wrote in the best-seller Iron John, or as Billy Crystal discovered when he spoke to his son's third grade class in "City Slickers," modern life separates the professional from the domestic, frequently marginalizing the man to the status of the silly fathers in situation comedies.

The moderns had a simple vision of the future. A look back reminds us how far we've come.

The TV cartoon "The Jetsons" had a cute premise -- fast-forwarding the comic strip "Blondie" up about five centuries. Hanna-Barbera drew a straight line from 1962 into the future, projecting that the 24th century would be merely more of the same -- the modern world with a pseudo-futuristic gloss -- people wearing uniforms instead of expressing themselves, eating pills instead of enjoying their food. In this gee-whiz tomorrowland view of the future, the focus was on gadgets -- socks that would wash themselves -- not the more profound ways in which people would change. Thus George Jetson is the literal reincarnation of Dagwood Bumstead, an archetypal modern man: a nice, slightly goofy husband and father to his wife, two children, and dog. Dagwood/George commutes to work to sit in an office and does an ill-defined private sector bureaucratic-type job that mostly seems to consist of sleeping. Mr. Dithers/Mr. Spacely discovers him and blows his stack, with comic consequences. Dagwood and George are proof of the modern aphorism that 90% of life is just showing up!

But in the real world, we're not going to be competitive with the Japanese, the Europeans and everyone else in the 21st century with that kind of performance. Once both the public and private sector were bureaucratic; that was state-of-the-art organization in 1900, or even 1950. The private sector is changing, not necessarily because it wants to, but because it has to. The economist Joseph Schumpeter called it "creative destruction." A quarter of the white collar jobs in the private sector were restructured out of existence in the 1980s; while the government mindlessly grew fatter and larger and more out of touch. Meanwhile, the private sector continues to develop, creating 40 million net new jobs -- a 50% increase -- in the past 20 years.

If "The Jetsons" are modern, the movie "Star Wars" is post-modern. Darth Vader flies around in the gargantuan death star, surrounded by Nazi-like stormtroopers. Compare them to the post-modern good guys -- Luke Skywalker, Princess Leia, Chewie -- an ad hoc, multicultural team improvising their way to victory, using spiritual power (The Force) to overcome evil technology. Bad modernism confronts good post-modernism and loses, foreshadowing Operation Desert Storm.

I think we'd all like to know more about how people who do post-modernism for a living would define the future. Take Bill Gates, the billionaire, 35 year old founder of Microsoft. He once said that all software is a point of view. He's building a 30,000 square foot house in Seattle -- underground. He's developing a virtual reality of the world's great art, so visiting his house will be like visiting every museum in the world.

People like Gates -- or like you -- can help us think through the post-modern experience, and hopefully invent better ways to adjust. The message I'm giving you today is this: you're right. The American people are a lot further along in adapting to post-modernism than the government. We're not the experts; our sorry record shows that. You're the experts. What can you tell us? How can we catch up? How can this government again be of, by, and for the people?

The government used to work, why doesn't it work as well anymore?

The first 500 times I heard someone older than I talk about how the schools used to work, how the Post Office was a model of efficiency, delivering mail four times a day in big cities, how case workers once helped people up from dependency, I dismissed them as sentimental nostalgics. Sure, I knew that the crime rate was much lower in the past, but I couldn't imagine that the antique, encrusted bureaucratic structures of today could ever have been responsive and efficient. But as I learned more, I came to see that institutions that are now bankrupt and decadent and controlled by special interests once worked pretty well. The moral of the following stories is that government does not have to be slow and incompetent. Government can work, if it moves with the times.

For example:

The New Deal was a modern success. When Franklin Roosevelt came into office in 1933, unemployment was 25%. Many people had given up on the American system, and were looking overseas, to Italy, Germany, and the Soviet Union for a "more modern" alternative. Fortunately, Roosevelt had new ideas, and the willingness to be bold. As Michael Barone has described so ably, Roosevelt put Harry Hopkins in charge of the Civil Works Administration. On November 2, FDR approved Hopkins' plan for putting people back to work. Not welfare -- Roosevelt despised welfare -- but rather public jobs. Working in an unheated office, Hopkins met the challenge. By November 23, he had 800,000 people working. Two weeks later, that total had grown to 2 million. The CWA wasn't burdened with red tape because Hopkins didn't let it accumulate. He kept his workers too busy doing real work repairing streets, digging sewers, building playgrounds. By January 1934, just two months after he started, Hopkins had 4.25 million Americans on the job -- 8% of the U.S. labor force!

On other occasions, when the need was urgent, Americans have risen to the challenge:

In September, 1939, when Hitler started World War II, the U.S. Army had 174,000 men -- ahead of Portugal, but behind Bulgaria. President Roosevelt knew we had to prepare for war. As Eric Larrabee recounts, he didn't waste time with procedure and protocol; he wanted the best officers he could get. He picked George C. Marshall to be Army Chief of Staff over 34 more senior officers. Marshall developed the U.S. military into a force that could defeat the Axis powers, expanding the army more than 50-fold, to 8.3 million men. When Marshall needed help, he displayed the same willingness to ignore standard operating procedure and reach out for the best that Roosevelt had displayed in picking him. In December 1941, Dwight Eisenhower was just a temporary brigadier general at Fort Sam Houston in Texas. Marshall brought him to headquarters to run Army War Planning, leapfrogging 350 more senior officers. Soon, Ike was commanding the Allied forces in Europe.

The Pentagon itself is proof that leaders can make the system respond. Started in 1941, the building covers 29 acres, with 3.7 million feet of office space. It was finished in just 16 months.

The military's World War II paradigm -- huge draftee armies, massive bombing, overwhelming logistics -- worked well against Hitler and Tojo. But we made the mistake of using the same modern approach in Vietnam, which was a more subtle post-modern war, where hearts and minds and television mattered more than military firepower. We failed.

The Pentagon did indeed learn its lessons. The military showed a professional desire to improve, not just a bureaucratic desire to survive. The brass updated doctrine, strategy, and tactics.

Today's military is leaner and faster, composed of smart volunteers using smart weapons instead of blind avalanches of materiel. Defense Secretary Cheney showed leadership and imagination when he promoted Colin Powell over the heads of many more senior four stars to the top job, because, like Roosevelt and Marshall a generation before, he wanted the best.

America's post-modern soldiers made short work of the enemy: Iraq's military was the mother of modernism. Norman Schwarzkopf's ideas about surprise and maneuver were not new: they are timeless, but eternal truths must be relearned and adapted to new circumstances. Robert E. Lee would feel right at home in Schwarzkopf's army.

On the ground -- on the sand -- in the Persian Gulf, our soldiers demonstrated the ingenuity and the flexibility that wins. They redesigned their jeeps, in complete violation of regulations. They built practically overnight a special bomb

they were told would take two years. They used condoms to keep sand out of their rifle barrels.

When soldiers told Schwarzkopf that their boots weren't suitable for the desert, Stormin' Norman got them Hushpuppies. The men and women of Desert Storm -- average age, 26 -- lived up to the WW II motto: "The difficult we do immediately; the impossible takes a little longer."

Our failure to learn led to defeat in Vietnam, when the us military had 3 million men and spent over 9% of our gross national product. Learning the lessons of Vietnam enabled us to defeat Iraq with a military of 2 million men and women, spending 5.3% of GNP. With forward-looking thinking, less can be more.

The rise and fall and renaissance of the U.S. military indicates the potential of all public institutions to regenerate, degenerate, and regenerate again.

In their own ways, Hopkins, Marshall, and Schwarzkopf are perfect illustrations of Roosevelt's dictum that "new conditions impose new requirements on government, and upon those who conduct government." They were public servants who made the system work for the public, not the other way around. Visionary public sector entrepreneurs, like Bob Woodson, Polly Williams, and Kimi Gray still exist, in spite of the obstructions of the old, bureaucratic paradigm.

The challenge for the rest of us is to study these past examples of excellence and apply them to what we do and how we vote. Until we bring in new blood, the government will remain mired in modernism, doing things the same old way. Don't take my word for it: visit a government agency and look around. Ask yourself the question that organizational guru Peter Drucker suggests: "If we weren't doing it now, would we start?"

In any system, there's always a tension between those who want to get things done and the rules. You need both. But when people always lose and red tape and regulation always win, it's time to reinvent the system.

Private sector bureaucracies can be just as bad. Ross Perot built Electronic Data Systems up from nothing into a billion dollar company and then sold it to General Motors. Comparing the two very different corporate cultures, Perot said that if an EDS employee sees a snake, he kills it. If a GM employee sees a snake, he immediately runs to ask for instructions, and his boss forms a task force to study snakes. Perot said that it took GM seven years to design a new car, while we won World War II in three and a half! Fortunately, in the free market, companies face the ultimate test of the market, where stupidity and inefficiency are punished, and innovation and customer satisfaction are rewarded. Thus IBM, one of the greatest American companies a few years ago, is still trying to sell Big Brother to people who want to be their own Gutenberg.

Whether an institution is public or private, military or civilian, certain principles of effectiveness always hold true:

- 1) a clear sense of mission, and a supportive internal environment that reinforces that sense of mission;
- 2) a system of rewards and incentives, not necessarily monetary, but always tangible;
- 3) flexibility: an organizational suppleness that encourages experimentation and risk-taking;
- 4) a sense of empowerment, where authority matches responsibility, so that people at each level know they can get something done; and
- 5) accountability.

Unfortunately, the parallel process for renovating government has broken down. Our politics are in a rut, locked into a mindset, or paradigm, that tolerates the slow deterioration of government, even as it costs more and more. It's time to think about the nature of modern bureaucracy in the post-modern age. As Chesterton said, there can be no talk of reform without talk of form.

The Old Paradigm rested on old technology. The limits of that technology required uniform, top-down mainframe administration. Why can't we use new technology to create a citizen-driven desk-top, user friendly, 800-number government?

The "New Paradigm" is an attempt to define an appropriate politics for post-modern America. Here are the elements I see:

✓ First, global markets -- free trade is reality. If we don't deal with reality, other people will! The President's promotion of a North American Free Trade Agreement is an acknowledgment of the interdependent world economy. Vice President Quayle's initiative to reduce the costs of litigation is based on the realization that the U.S. has 25 times as many lawyers per capita as Japan, costing our economy \$300 billion a year. International competition is a race with no finish line. We can't afford to cripple ourselves with 18 million lawsuits a year.

✓ Second and third, choice and empowerment -- vouchers, as advocated so strongly by Education Secretary Lamar Alexander and Housing Secretary Jack Kemp, are the quintessential post-modern idea, combining pre-modern emphasis on traditional values with the modern desire for universal education with the post-modern commitment to fully realizing human potential. Some people aren't waiting for government. Pat Rooney, of Golden Rule Insurance, is spending his own money to give poor students scholarships to let them choose their own school and get the education they need to join the productive mainstream of American life.

✓ Fourth, decentralization -- Information Age technologies have eroded the basis for centralized geographic locations as well as centralized hierarchies. These days, wherever there's a phone, there's a job. So the jobs of the future can be at the other end of a fiber optic cable, almost anyplace. The President supports "telecommuting," the option of working from home. Will telecommuters miss office camaraderie? Maybe, but today's commuters miss their children and family life, and 85% of our air pollution comes from cars and trucks. Furthermore, nobody is saying that telecommuters must never go to the office, only that jobs should be flexible. Post-modern work should accommodate the post-modern worker.

✓ Fifth, what works -- Americans should say to politicians: "Don't tell us how much money you spent, tell us what you got for our taxes!" Some of you may have seen a recent segment on the "Today Show," in which Eric Ransom, a graduate of Milwaukee's North Division High School took a hidden camera back to his inner city alma mater. He filmed teachers doing nothing, while their students slept or otherwise did nothing, except maybe play dice. No wonder more than 50% of North Division students drop out! The superintendent said that no teacher could ever be fired, because the principals have no power over the teachers union. Milwaukee already spends more than \$6100 per pupil per year, well above the national average -- almost as much as it costs to send a student to Park Tudor! Does anyone think that simply spending more money without changing the bureaucratic paradigm is going to make a difference?

✓ As Bob Samuelson says, the American people are not stingy, but they are skeptical. We will invest in what works. Most Americans have no more desire to further invest in failing schools than they have in failing corporations. They are looking to us to come up with new ideas. Maybe we should look to them - or at least to Eric Ransom. I hope that Eric's sleuthing will have the same effect on schools that Rodney King's videotaped beating had on police procedure in Los Angeles. Get a videocamera -- become an agent of reform.

President Bush sees the limits of bureaucracy. Here at home, he's combining a commitment to the traditional family with the modern desire to guarantee protection and compassion to forge a post-modern New Paradigm agenda. I call it "principled eclecticism" -- a kinder, gentler strategy of drawing upon the best ideas of the past, present, and future.

The New World Order is also post-modern because it is based, not on brinkmanship, throw-weights, or kitchen debates, but rather on core values like international law, human rights, and peaceful democratic change. The President is promoting trade, investment, and efficiency, while prepared, when absolutely necessary, to use sanctions and even force to defend our national interests and values.

Remember the nine dots puzzle? They tell you to connect the dots with four lines without taking your pencil off the page. Some of you know how to do it. You've got big smiles on your faces. Congratulations: you're good modernists. Those of you who had your own ideas: erasing all the dots and putting them all in a row so you can connect them all with one line instead of four; piling the dots on top of each other so you don't need any lines at all, or ignoring the puzzle completely -- that's post-modern thinking. That's the sort of conceptual leap, or paradigm shift, that yields the silicon chip, not just better vacuum tubes.

America's future depends on our ability to encourage the free thinkers and iconoclasts who are the engine of progress. But we are all being buried in a morass of bureaucratic mediocrity that chokes upward mobility for everyone. As James Fallows argues, we will never be able to compete with the Japanese or the Germans if the game is discipline and following orders. America's future can't depend on becoming more like them. Our future depends on becoming More Like Us -- reclaiming the tradition of creativity and common sense that is the common heritage of all Americans.

I began by talking about why we are frustrated by the Old Paradigm. I've tried to offer some thoughts about how the government fell behind the people, and I've suggested some ways that government can catch up.

Some say that Americans are too apathetic to care about their future. That's wrong -- but Americans have been burned so many times by phony political rhetoric that they've become cynical about government. But they're not cynical about themselves and their communities. Today, more Americans recycle than vote. Our history demonstrates, over and over again, that Americans will act when they believe they can make a difference.

Today, we are seeing something new in post-modern America - the search for a New Paradigm. I think it will make a difference. I would love to know what you think. Thank you.

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THE WHITE HOUSE  
WASHINGTON

November 15, 1991

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legal

MEMORANDUM FOR ALL WHITE HOUSE STAFF

FROM: C. BOYDEN GRAY *cm*  
COUNSEL TO THE PRESIDENT

SUBJECT: Contributions to Bush-Quayle '92

On October 11, the President authorized the formation of a campaign committee to work on behalf of his re-election. While he has not announced a decision to seek re-election and has not set up a full-fledged campaign organization, many of you may have already received fundraising requests. You should be aware that Federal law (18 U.S.C. § 603) prohibits any employee of the White House<sup>1</sup> from contributing to the authorized campaign committee of the President, Bush-Quayle '92. Accordingly, to avoid any possible embarrassment to the President, all White House employees should refrain from making any contributions to Bush-Quayle '92.

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<sup>1</sup>This memorandum does not address the application of 18 U.S.C. § 603 to employees of the Office of Management and Budget, the Office of Administration, and the Office of the United States Trade Representative. Any questions on the application of 18 U.S.C. § 603 from these employees should be addressed to their respective general counsels.

Willie Horton

Democrats have turned "Willie Horton" into the codeword of the decade. It means: Republicans are racists. They take unfair advantage of black people. Don't trust them.

Willie Horton's transformation from embarrassment into rallying cry offers a case study in the politics of deliberate division. Democrats found themselves stuck with a losing law-and-order issue, and therefore transformed it into something they thought might yield political fruit. They cried racism.

If you want to understand the difference between our approach to civil rights and theirs, consider the following timeline (a more detailed timeline, with support materials, is enclosed):

In 1987, the Lawrence Eagle-Tribune won a Pulitzer Prize for an expose about Michael Dukakis' prison-furlough program. It printed Willie Horton's picture. No one called the paper racist.

In April, 1988, Albert Gore raised the furlough issue during a campaign debate. He and others used it against Gov. Dukakis during the primary campaign. No one accused them of being racist.

In June, the President first criticized the furlough program. No one accused him of racism then.

That same month, Time magazine became the first national publication to publish Willie Horton's picture. No one accused it of being racist.

By July, national media, including television, had reported on the Horton story and shown his picture. No one accused the media of racism.

By July, national media, including television, had reported on the Horton story and shown his picture. No one accused the media of racism.

In September, Americans for Bush, a committee entirely unrelated to the Bush presidential campaign, ran a furlough ad that included Willie Horton's picture. We asked the group not to air the ad, and tried to distance ourselves from the committee; we also instructed all our campaign operatives not to mention Willie Horton's race.

In October, a Dukakis TV ad included the name and picture of an Hispanic murderer who had escaped from a federal half-way house. No one accused Dukakis of racism.

On October 20, 1988, someone asked Dukakis campaign chairman Paul Broutas whether the Bush campaign was racist. He replied: "I would not accuse them of that."

It wasn't until October 23, 1988 that Democrats attempted to convert a losing law and order issue into something more divisive -- but for them, politically profitable. A group of party leaders denounced the furlough issue as racially motivated.

The press quickly denounced this new approach. The Washington Post wrote on Oct. 25, 1988 that it may or may not be relevant to stress the Dukakis furlough record, "but it isn't racist."

In short: We did not raise the race issue in 1988. We did not draw attention to Willie Horton's race. We were the only group in the campaign that tried specifically to eliminate any mention of Willie Horton's race -- within our campaign and in the presidential campaign at large. To repeat, since so many people seem to have ignored this crucial fact: It was not our ad. We didn't want it. We tried to knock it off the air. Our opponents know this.

All we want is an honest debate, conducted in an atmosphere of goodwill. We're not getting it. They won't address the facts; they won't even discuss our bill; and they simply deepen their insults daily. There is a campaign of slander, not of reason. If our opponents want an honest debate, let them drop their slanders, honor the facts, and accept our invitation to sit down and talk about ways to promote true racial harmony.

Willie Horton does stand for a deliberate politics of division, but not on our part. Democrats resorted to the Horton issue out of sheer political desperation: They raised it barely

two weeks before the election. The question shouldn't be whether we have changed, but whether they have.

If you hear our foes continue to call upon the name of Willie Horton, you'll know that the politics of division are alive; that the politics of irrational fear are alive; and that good people of all parties will have to assume responsibility for saying: Enough is enough. Stop talking trash and start talking truth.

This is classic Newspeak: We stand accused of their sins. As one of our most vociferous opponents put it: They don't want a civil rights bill. They want a political win.

## CHRONOLOGY OF WILLIE HORTON ISSUE

- 1987 Lawrence Eagle-Tribune investigates Massachusetts furlough policy and wins Pulitzer Prize. Photo of Horton is printed. Upset citizens in Massachusetts launch referendum drive to ban furloughs for murderers.
- 4/12/88 The first national political use of the issue occurs when Al Gore attacks Dukakis over "weekend passes for first-degree murderers" in a New York debate.
- 6/9/88 Bush criticizes Dukakis furlough program for first time. Does not mention Horton.
- 6/20/88 Time's 6/27 issue describes how Horton "haunts" Dukakis' campaign. The article represents the first time Horton's photo is published nationally.
- 6/22/88 Bush renews his attack on furloughs and first mentions Horton by name.
- 6/30/88 Reader's Digest publishes the entire Horton story, its first major nationwide exposure. Horton's photo is not used, nor is his race mentioned.
- 7/31/88 A Washington Post article by Tom Edsall says: "Horton's picture has appeared repeatedly on network television news..."
- 9/88 Americans for Bush, an independent expenditure committee, airs an ad criticizing Dukakis' furlough program. The ad prominently displays Horton's picture. This ad was then repeatedly mis-identified on network news as a "Bush ad." At the same time, the Bush campaign was running its "revolving door" ad, which neither mentioned Horton nor showed his face. The Bush campaign never used Horton's photo in any way at any time.
- 10/88 A Dukakis TV ad uses the name and photo of a Hispanic murderer who escaped from a federal half-way house.
- 10/20/88 Dukakis campaign chairman Paul Brontas is asked if he thought the Bush campaign was racist. He said, "I would not accuse the campaign of that."
- 10/23/88 Sen. Bentsen, Jesse Jackson, Paul Kirk, Rep. Mervyn Dymally, and Rep. Charles Rangel all simultaneously denounce the Bush campaign as racist for using the furlough issue.

10/25/88 A Washington Post editorial cites "the Dukakis campaign's new charge that the Bush campaign is making racist appeals. We think it's a phony... .. Massachusetts is the only state that furloughed prisoners sentenced to life without parole, and that for 11 years Mr. Dukakis supported that policy and resisted attempts to end it. It may or may not be relevant to stress that, but it isn't racist."

# The One That Got Away

Why an escaped murderer haunts Michael Dukakis



Willie Horton was supposed to be serving time for murder in Massachusetts in April 1986 when he invaded a home in Oxon Hill, Md., raped a woman and stabbed her companion. Horton had not broken out of prison. He had walked away from it ten months earlier while on a weekend furlough, an experiment that has been a cornerstone of Governor Michael Dukakis' criminal-justice program.

Now the Horton case is being used to paint Dukakis with that most damaging liberal stereotype: soft on crime. George Bush has taken to citing his differences with the Governor by saying, "I don't like the idea of letting murderers out of jail." One G.O.P. strategist has proposed a bumper sticker reading, DUKAKIS TO RAPIST: HAVE A NICE WEEKEND.

Responding to public outrage over the Horton incident, Dukakis signed a new law last April banning furloughs for first-degree murderers. Explaining his turnaround, Dukakis said simply, "I try to listen, I try to learn." But the Governor still becomes testy when confronted with the question. During a debate in San Francisco, conservative Journalist John McLaughlin charged that Massachusetts' program allowed convicts to commit more violent crimes. "That's not true,"

Dukakis exclaimed. "That happened on one occasion."

Although Dukakis was considered too liberal on crime during his first term, he has worked hard to reverse that image. In the past four years, the violent-crime rate in Massachusetts has dropped 13.4% while the national rate has risen 1.8%. Today the state has the lowest homicide rate of any major industrial state in the country. In 1983 Dukakis formed a special anticrime task council, and he has chaired every one of the group's 58 meetings. "His record against crime now can't be disputed," says Ned Merrick, legisla-

tive representative of the state's police association. "It's too good."

Yet the furlough furor threatens to overshadow these impressive achievements. Massachusetts is among 45 states that allow prison leaves. Last fall state legislators published a report lambasting the supervision of the program by the Dukakis administration. Authorities had not properly screened Horton before his leaves, investigators found, and they did not keep thorough records of his behavior in the prison.

Defenders of furlough programs point out that weekend leaves offer relief at a time when prisons around the country are dangerously overcrowded. Behavior during furloughs can help determine how an inmate up for parole might function in society. According to John Larivee, executive director of Boston's Crime and Justice Foundation, the recidivism rate since 1972 has been just 10% for prisoners paroled after taking part in such a program. Among other prisoners, it was 25%.

Moreover, there were only 426 escapees among the 117,786 furloughs during the same period, and Horton's escape was the first among first-degree murderers from the program in nearly five years. "The failure was not the program," says Massachusetts Corrections Commissioner Michael Fair. "Willie Horton was the failure. Our evidence is the program was successful." — *By Jacob V. Lamar. Reported by Robert Ajemian/Boston and Michael Riley with Dukakis*



Willie Horton



The furlough furor could overshadow Dukakis' good record on crime

## Grapevine

**Fast break.** The latest debate among Democrats is not over *who* but over *when*. Will Michael Dukakis announce his Veep choice before the convention? Reasons for: to dampen any "Draft Jesse" drama and prevent convention coverage from being distracted by guesses and whispers. A reason against: early selection would drain excitement from what already threatens to be a tedious show. The betting: Dukakis will again dare to be boring and announce his choice early.

**No draft pick.** Bill Bradley made it clear to Dukakis' Veep scout Paul Brontas last month that he did not want to be on the ticket. That did little to dampen speculation, given Dukakis' admiration for the former basketball star. Last week Bradley had another session with Brontas. But Bradley did not budge: he does not want to be on a national ticket, and nothing will change his mind.

**Making up.** Bob Dole has been speaking so forcefully in favor of Bush that relations be-

tween the old rivals are warming up. Bush has signed a fundraising letter to help retire Dole's debt. So talk has turned to a possible Bush-Dole ticket. A *Wall Street Journal/NBC News* poll last week showed that 56% of voters would be more likely to support a ticket with Dole on it. Bush aides, however, are still smarting from a Dole comment, made supposedly off the record, that Reagan seemed to be more effusive in his endorsement of Mikhail Gorbachev than of Bush because "Gorbachev has a future."



Bradley won't take the pass

**Fouling out?** Nothing could be worse for Democrats hoping to use the sleaze issue than to have Book Peddler Jim Wright remain as chairman of their National Convention. Several Democrats are quietly moving to have him replaced by Party Chairman Paul Kirk. Republicans have their own delicate problem. An aide to Ed Meese says the Attorney General has "penciled in" attending the G.O.P. convention. Sniffed Bush Campaign Manager Lee Atwater: "That's his business."

WP ed.

10/25/88

## A Racist Campaign?

p. A26

**A**DD TO THE charges the presidential campaigns are hurling back and forth the Dukakis campaign's new charge that the Bush campaign is making racist appeals. We think it's a phony, no more credible than those vicious and baseless charges that the Bush campaign had been making about Gov. Dukakis' patriotism. Lloyd Bentsen, asked whether there is a racial element to the Bush campaign's emphasis on furloughs, replied, "When you add it up, I think there is." Jesse Jackson, speaking in Boston, said "There have been a number of rather ugly race-conscious signals sent from that campaign." Some have gone so far as to charge that Mr. Bush's assertion that Mr. Dukakis is a liberal also has racist undertones. If that term is out of bounds, what form of discourse is not?

The one serious question in this is whether the Bush campaign's attacks on the furlough program that freed prisoner Willie Horton, sentenced to life-without-parole, are an appeal to racism. You can believe that the importance of this topic was greatly overstated and that the "lessons" drawn from it were demagogic and extravagantly sinister without accepting its use as the basis for a charge of racism against Mr. Bush. To begin with, the Bush campaign wasn't the first to raise the furlough issue against Gov. Dukakis; Sen. Albert Gore was, in an April 1988 debate in New York. The Bush cam-

paign has done some disgusting things in this campaign. But the facts are that Massachusetts is the only state that furloughed prisoners sentenced to life without parole, and that for 11 years Mr. Dukakis supported that policy and resisted attempts to end it. It may or may not be relevant to stress that, but it isn't racist.

On racial questions, what we find disturbing in this campaign is not appeals to racist feelings but the conspicuous failure of both candidates to address the particular needs and interests of black Americans. Any candid view of our history and our current situation cries out that blacks have a special claim on the attention of those who govern. But they are getting scarcely any at all from this year's nominees—one because he seems afraid to give it, the other because he seems uninterested.

Mr. Dukakis, speaking at the Neshoba County Fair in Philadelphia, Miss., this summer brushed past the murder of three civil rights workers in that county in 1964. You wonder what held him back. Mr. Bush has devoted almost no time or attention to the situation of black Americans. A certain amount of charge-and-countercharge is probably inevitable in a campaign, but it isn't inevitable or desirable for two candidates to ignore almost entirely one out of 10 of their fellow citizens.

Campaign

THE WHITE HOUSE  
WASHINGTON

September 17, 1991

MEMORANDUM FOR TONY SNOW

FROM: DAVID M. CARNEY  
SPECIAL ASSISTANT TO THE  
PRESIDENT AND DIRECTOR,  
OFFICE OF POLITICAL AFFAIRS

SUBJECT: Senator Grassley radio show

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This is for your information. Thought you  
find it interesting.

Attn: Dave Carney  
 Re: Caron Kaabe  
 McKee, 224-0471  
 (PFI)

**Senator Grassley Iowa Radio Networks Show**  
**(WHO-Radio, Radio Iowa, Brownfield)**  
**9/17/91**

**Q:** I was wondering what Senator Harkin's presidential campaign, how that will effect representation for Iowa in the Senate. When we have one Senator on the road conducting a Presidential campaign, will that lessen our impact in the Senate?

**CEG:** Well, of course, without a doubt, he has already and is going to miss a great number of votes and the extent to which a missed vote may effect an outcome, then its going to be negative. If there aren't any close votes it may not make much difference because I'm here in Washington and I will be able to represent Iowans' views. My attendance record is 99.2% over a period of the last 12 years. It's the highest in the Senate for people that have cast over 2000 votes, so I will be able to be here for Iowans. Senator Harkin and I don't vote alike very often, but I will be seeking to make sure Iowans are represented in the Senate.

I think there is one thing about the Harkin candidacy we ought to note as praiseworthy, however, and that is he's the only one of the democratic contenders for the White House to admit that he is a liberal. I heard his speech Sunday, I listened to the entire speech on C-Span and he is a self-described, unabashed liberal -- I think with a capital L -- and he is not ashamed to admit it. The speech he gave in Madison County on Sunday proves it. Now, this isn't necessarily the posture that he presented in the last Senate campaign, but he should be commended for being very straight-forward now.

**Q:** Would it be good for Iowa for Tom Harkin to win the nomination?

**CEG:** All I know is it would be bad for the country if he were elected president. I also don't think he could be elected president with a sitting President as popular and well-respected as George Bush.

## DOUG WILDER

Virginians have two big bones to pick with Doug Wilder.

First, Virginia's fiscal house is crumbling. Massive shortfalls. Uncertain revenue projections.

The late Senator Harry F. Byrd Sr. -- Virginia's "father of fiscal conservatism" -- was reportedly spinning in his Winchester grave so furiously this week that he was last seen about 10 miles north of Front Royal tunneling for the Maryland line.

Through it all Doug Wilder almost always seems to be someplace other than Virginia hunting up votes for the presidency. This guy's logged more flight time than the entire Apollo astronaut team ... and they went to the moon!

But hey, Doug Wilder's still made history: He's the first sitting governor in Virginia history to establish legal residency in Iowa and New Hampshire! Hey, Doug, you gather votes there, you don't have to vote there!

The other night guards arrested a guy trying to get in the Virginia governor's mansion. Nobody recognized him, but when they took him downtown and fingerprinted him they found out he was Doug Wilder!

Three major airlines are considering filing bankruptcy. Was the problem high fuel cost? No, apparently Doug Wilder turned in his frequent flyer coupons.

Talk about travel! Hey, forget Sununu: Doug Wilder makes Marco Polo look like a coach potatoe!

No, he may not be qualified to be president. But he sure would make one heck of a Secretary of Transportation!

The second beef is reading reports of Doug Wilder's speeches from Iowa, California and elsewhere. He'll announce grand visions for education, while Virginia's education system is being butchered. And a grand strategy to fight the drug war -- he's Virginia's self-proclaimed drug czar -- while adding less than one one hundredth of one percent of the state's new budget for anti-drug programs.

I mean, if this guy had been Commander In Chief during Operation Desert Storm he'd have sent maybe two privates in a rowboat to the Gulf ... and they'd share one slingshot!

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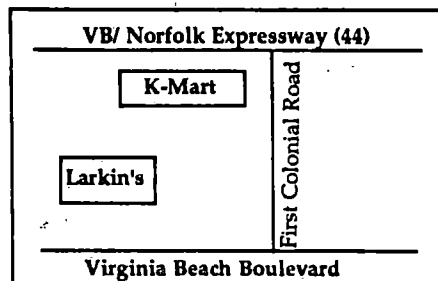
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# LARKIN'S

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 SPECIAL OLYMPICS

THE NEWS YOU MISSED 1988  
By Frederick Talbott

What a year!

Secretary of State George Shultz spent a great deal of time in the Soviet Union discussing human rights. That's sort of like going to the Fudge Factory to discuss nutrition.

Mikhail Gorbachev solidified his leadership by ousting president Andrei Gromyko and other party leaders. He won the support of the Russian people by permanently banning Geraldo and the Morton Downey Jr. Show ~~and~~ from Soviet TV.

Having tired of attacking other nation's ships, Iran and Iraq declared holy war on all foreign-built major appliances. Iraq destroyed three GE refrigerators and a Maytag dishwasher, while Iran praised Allah for the capture of an Amana upright freezer.

Attorney General Ed Meese told a group of journalists that he's never used marijuana or any other illegal drug. The journalists vote for Meese to begin using pot immediately.

A new poll rates TV preachers somewhere between Times Square pimps and pet thieves.

At the height of the presidential primaries, all Democratic candidates and a group of other political notables were given surprise physical examinations. None tested positive for drugs; the late Abraham Lincoln registered the strongest pulse.

Southern moderate Democrats, whose very label tests the limits of the term "oxymoron," produced the Southern Primaries. They quickly learned how Uncle Bubba felt when he accidentally blew his right foot off with his coon rifle.

Candidates stumped the South in '64 Ford pickup trucks. Joe Biden claimed he authored "Gone With The Wind" and "Dixie." Pete DuPont is arrested in Georgia for repeatedly pronouncing both syllables of the term "you all."

Pat Robertson correctly predicts that he'll raise an Invisible Army. That's how he got all those invisible votes.

The nation's vacation theme parks introduced a new thrill ride. They call it "Aloha Airlines".

Vanna White showed up on the Wheel of Fortune set temporarily dyslexic. The resulting chaos prompted the nation's cost-of-living index to soar, the Dow to plummet, and host Pat Sajak to experience his first human emotion.

The Japanese buy the rights to Monopoly, and quickly redesign the game board in the shape of the United States.

In Washington, a new Nicaraguan dialect surfaces. It's called "Contra diction."

The National Parks Service says smoking is o.k. If God does it.

Scientists at Arizona's Lowell Observatory are startled to discover the rings of Saturn are owned by Donald Trump.

Saying she is fed up with all the public pressure, model and Gary Hart shipmate Donna Rice announces that she will get braces to correct her protruding overbite.

Pope John Paul II urges Morton Thiokol to begin manufacturing condoms.

President Reagan quietly insists that the Star Wars defense system he's championed be named for him. He tells advisors to keep the name simple and glib, using a tasteful pun if possible. Henceforth, the Strategic Defense Initiative will simply be called "Ray Gun."

We watch the delegates at the Democratic National Convention, and finally figure out who buys all those Slim Whitman albums.

Heavyweight champ Mike Tyson runs out of human opponents. He successfully defends his title by beating up a house in New Jersey.

First Lady Nancy Reagan says she has no hard feelings toward former Chief of Staff Donald Regan. In fact, she adds, she just sent Regan an assortment of chocolates prepared by Rex, the White House dog.

A group of Japanese investors buys the U.S. Treasury and Bureau of Engraving. During future stateside buying sprees, when they get the yen they won't need their yen.

The government says it'll cost billions to "fix" the ailing B-1 bomber. Congress immediately approves funding, vowing "to do anything to keep that dog from breeding."

President Reagan reluctantly promises not to call Mikhail Gorbachev "Lord Vader" at any future talks.

Two cosmonauts break the space endurance record by spending 326 days aboard the Soviet's tiny space lab. The two graciously reject awards and medals for their heroism, but radio an urgent plea for more Certs Breath Mints and Johnson's Odor Eaters.

The nation's TV preachers violently protest the movie "The Last Temptation of Christ." They're outraged because nowhere in the movie does Jesus own a fleet of Cadillacs, wear his hair in a pompadour, or bilk an old widow out of her life's savings.

Dinabol is named the unofficial snack food of the Seoul Olympics.

The Federal Aviation Administration takes action to reduce air traffic over busy O'Hare International Airport. The agency quietly anchors the U.S.S. Vincennes in the Chicago River.

Abortion foes claim life begins at conception, while opponents argue life begins during a child's first viewing of an "I Love Lucy" rerun.

Air Force strategists realize the only way to stop the Soviets with the \$500 million Stealth bomber is to make 'em pay for the plane.

A technical improvement makes the Stealth Fighter completely invisible. Setback: Nobody can find the plane. Advantage: The Air Force claims they're deployed everywhere.

Fred Talbott teaches journalism -- and humor writing --  
at Old Dominion University in Virginia

Printer's Proof

## A DEMOCRATIC WHITE HOUSE SCENARIO

By Jude Wanniski

President Bush at the moment seems practically unbeatable in 1992, especially if the Democrats approach the contest in traditional fashion. As an exercise in political philosophy, this paper examines how a hypothetical Democrat could arrest his party's erosion at the presidential level. The "income class" spectrum should be abandoned as an analytical framework, replaced by an axis coincident with an opportunity spectrum, with established wealth and achievement on one end and those who aspire to wealth and achievement on the other. Democrats cannot compete with the President on foreign policy experience and credentials, but they can on imagination and initiative. In a unipolar, post-Cold War world, foreign policy can more nearly approximate the extension of a domestic agenda. President Bush is more vulnerable on the economy, but not with the usual zero-sum, soak-the-rich solutions. The traditional Democratic constituency -- labor, minorities, the young, the disadvantaged -- has access to income, but almost no access to capital. A horse race metaphor is used to explain why economic policymaking should focus on the longshots, not the frontrunners. The Democratic contender should advocate elimination of the capital gains tax as well as lower payroll taxes, with a new, increased top income-tax threshold at a higher rate. The party must abandon its reliance on easy money as a policy instrument, reviving President Kennedy's formulas of sound money and greater rewards for risk-taking as the central features of entrepreneurial capitalism. Unlike President Kennedy, whose foreign economic policies were dominated by the elites, the Democratic nominee should offer this distinctly American message to the world at large.

September 24, 1991

## A DEMOCRATIC WHITE HOUSE SCENARIO

From 1932 to 1964, the Democratic Party won seven of nine presidential contests. The Republicans have won five of six since and, according to virtually universal expert political opinion, will win again in 1992. The experts, in fact, have been arguing for some while that the national electorate, as scattered among the 50 states, has crystallized into a GOP "Electoral Lock" on the White House, even as local electorates continue to deliver Democratic majorities to the U.S. Congress and most state governments. Disheartened Democrats also contemplate demographic trends that show younger voters increasingly identifying with the party of the "successful Presidents" they have known, Ronald Reagan and now, George Bush. It begins to seem that the Republican Party may become even more dominant as the Ruling Party than it was in the seven decades after the 1860 victory of its first presidential candidate, Abraham Lincoln, a period in which the GOP won 14 of 18 presidential elections. This thinking is becoming conventional wisdom.

As an exercise in political philosophy, this paper will examine how the Democrats can arrest the erosion of their party on the presidential level. It will suggest how a hypothetical Democrat might win his party's nomination next year, and then the Presidency, by defeating President Bush. I proceed from the assumption that the nation and the world is best served by a Democratic Party that can at least vigorously compete for the approval of the national electorate. That is, *pro forma* competitions which systematically result in GOP landslides will inevitably produce soft, weakened leadership in the Executive Branch, as common sense tells us will happen when one football team knows it can score at will on a regularly scheduled competitor. Such a team need not change personnel, devise new plays, or even practice. The Bush Administration may well hold this attitude.

The most critical of my observations is that the Democratic Party is trapped in a conventional wisdom that no longer has relevance in the post-Reagan era, a belief that the political spectrum falls along an axis coincident with income class. Franklin Roosevelt's New Deal was built on this wisdom, which was relevant at the time. There was rough accuracy to the rule-of-thumb that the Democratic Party was the party of the lower income classes, the "party of the people," the party of labor, while the GOP represented the more affluent, the middle class and above, the party of management and property. The most vivid example of a Democratic bid for the White House along this axis was George McGovern's 1972 promise of a \$1,000 "demogrant" to everyone in the lower middle-income class and below, an idea the electorate spurned. By clinging to this obsolete income-class guideline, the party is unable to reach the primary concerns of today's electorate. It is thereby entrusted by the voters only with the secondary, legislative role, which is to check the negative impulses or excesses of the party that controls the White House.

The political spectrum has in fact shifted to a new axis, on which the Democrats must now focus. Insofar as it is two-dimensional, it comes close to the line that divided the political parties prior to the New Deal, those of established wealth and achievement and those aspiring to wealth and achievement, not "rich" and "poor" as much as old, established and conservative, versus young, evolving and *adventurous*. The cleavage along a fault line of capitalism is between the entrepreneurs and the corporatists. Both are as legitimate and fundamental as political impulses as father and son, mother and daughter. At the moment, President Bush and the GOP embody both of these impulses at once, at least to a degree, while the Democratic Party has come to be dominated by centralized, established, corporatist influences that bear mostly on what has come to be called "The Beltway," the center of political power, as opposed to the dispersed, grass roots of political power.

\*\*\*\*\*

In the 70 years prior to the Great Depression, as the party of growth and opportunity, the Republican Party also embodied both political impulses, representing unfettered entrepreneurial capitalism as well as the entrenched Establishment. Teddy Roosevelt's Progressive Era was a distinct victory for entrepreneurial capitalism, trustbusting in order to decentralize and thus dilute the growing political power of the corporate giants. In this period, the Democratic Party was dominated by those outside the Establishment, representing the newly enfranchised immigrant class, the defeated Dixie, and labor and agrarian interests that had to defend against the political power of the corporate and financial giants.

The monetary deflation that followed the Gold Standard Act of 1873 was the most notable example in this era of how political power could be used destructively within the legitimate framework of the democratic system. A decision had to be made in 1873 on what the dollar/gold exchange rate would be upon return to the gold standard, suspended in 1861 with the onset of the Civil War. Established wealth insisted the gold price be reset at the pre-Civil War rate of \$20.67 per ounce, even though it had floated to \$40 during the war and its aftermath. The beneficiaries in this zero-sum contest were the eastern banks that had bought government bonds prior to the Civil War. The losers were the workers and farmers who had incurred debt in the cheaper greenbacks and had to pay off their debts in gold. The Federal Reserve Act of 1913, the first year of the Democratic administration of Woodrow Wilson, grew out of the outrage felt at the grass roots, given voice by William Jennings Bryan. The progressive income tax was another outcome.

The Progressive Era had been an attempt by the Republicans to meet the complaints of the Democrats, and thus adjust through internal reform. The administrations of Harding and Coolidge were most emphatically dominated by the entrepreneurial spirit, and the Twenties roared. The Democratic Party was so dispirited in 1928, given its chances of winning the White House again, that it put up a sure loser, a Catholic northeastern governor, against Herbert Hoover. As Commerce Secretary in the Coolidge Administration, Hoover had lived cheek by jowl with the captains of industry, and as President gave them all the security and protectionism they desired in the Smoot-Hawley Tariff Act, perhaps the high-water mark of U.S. corporatism in this century.

The measure, we now know, triggered the Crash of 1929, ushered in the Great Depression, and ended the GOP's dominance as the party of economic growth. With the Democrats rushing to fill the void, the Republican Party remained in the grip of narrow nationalism and corporate power for another decade, only beginning to emerge with the nomination of Wendell Wilkie in 1940 and the post-war international bipartisanship of Senator Arthur Vandenberg. But it was not until an ex-Democrat of the Depression won the Republican nomination in 1980 that the Party was once again dominated by its entrepreneurial wing. The election of Ronald Reagan filled a void that had opened in both parties, John Kennedy being the last Democrat to represent an entrepreneurial agenda. Jimmy Carter, the Georgia peanut farmer, ran as the grass roots candidate, but gave the White House keys to the Democratic Establishment on Inauguration Day, 1977.

.....

The seeming invincibility of George Bush is the first element the Democrats contend with as they contemplate a contest against him. If they examine him in *traditional* fashion, he *is* unbeatable.

In foreign affairs, he certainly seems unbeatable. The President has the respect of the nation and the world for his international leadership. His rich experience in foreign affairs prior to his presidency has been evident in his surefootedness in managing the nation's international agenda. A Democrat who probes for weakness in the way President Bush has played the cards that have been dealt him abroad will only seem small and petty, quibbling over trivial differences. And there is no Democrat available who can match the President on foreign policy credentials. It is useless to try. *His vulnerability can only be found in areas beyond direct attack, areas that have little to do with*

*management credentials and everything to do with imagination and vision.* On foreign policy, to contest President Bush for the support of the voters, the Democratic contender has to elaborate a vision of a new world economic and political order that strikes a chord that rings true. For the electorate to be willing to replace a successful *manager* of international affairs, it has to be persuaded the new President is capable of providing a deeper dimension of leadership *initiative*.

In domestic affairs, he seems less formidable. The economy has not performed well since the Bush presidency began and at this writing remains technically in recession, with the resources needed to address critical domestic concerns steadily shrinking. Yet by traditional analysis, the President appears unassailable here as well. The economy seems to be inching its way out of recession and the consensus reckons that it will grow steadily, albeit slowly, into the foreseeable future. The conventional wisdom that serves Democrats as well as Republicans offers no answers on how to get the economy moving at a faster clip, given the constraints of the budget and the limitations of monetary policy. Democratic pollsters find the public marginally unhappy with the President's management of the economy, but the pollsters are unable to offer specific counsel on what should be done to find favor with the voters. Several specific sectors are of more concern to the public, the polls indicate -- health care, education and the environment especially. As in the past, there are Democratic hopefuls willing to draw up laundry lists to take to the voters. With the federal budget deficits soaring during the recession well past the \$300 billion level, though, the Democrats seem bound hand and foot by a Budget Agreement the Congress made last year with the White House that forecloses programmatic solutions.

The first thing our hypothetical Democrat should do in our scenario is drastically discount the importance of public opinion polls -- on the grounds that they simply rediscover conventional wisdom, which is a blind alley. In the same way, the traditional political strategems that can be bought from the professional political industry *inside the Beltway* should be avoided. Jimmy Carter, Walter Mondale and Michael Dukakis have squeezed the last drops from that lemon. Our Democrat has to literally "throw away the book" on how to be elected and write a new one.

Another metaphor that is *apropos* is that of a diamond cutter. If the diamond is struck at a wrong angle, it turns to powder -- as McGovern found with his "demogrant." If precisely the right cleavage line is struck, though, the rough stone becomes gems. The electorate *knows* at which line it should be struck, but is as inarticulate as a diamond. The political leader whose analysis and instinct lead him to the correct insight, to the margin where all change takes place, can slice across the "Electoral Lock" and harvest votes that cannot resist his appeal. The candidate has to be willing to sharpen his agenda to a knife edge! This does not mean a single issue candidacy. It means a knife edge that identifies in a stroke the concept of the campaign.

In January 1980, Ronald Reagan conceptualized the campaign he was about to begin as one in which he would represent the interests of Main Street business. When told only three CEOs of the Fortune 500 had endorsed his candidacy at that point, Reagan said he would be happy to have his opponents share the other 497. "I've got to be the candidate of the shopkeeper, the farmer, the independent, the entrepreneur. There are a lot more of them."

The appropriate concept for a Democrat in 1992 would include these small business interests, but extend to the traditional Democratic coalition of labor, the minorities and the disadvantaged *in a different way*. The concept is that a government's *primary* role is to provide a context in which all Americans can realistically aspire, if they choose, to become "shopkeepers, farmers, independents and entrepreneurs" or in any other way develop their innate, God-given potential. The concept is thus more inclusive than Reagan's -- which in the general election of 1980 was directed from the top of the opportunity ladder, not much below its middle rungs. The two Reagan campaigns never once directly addressed the aspirations of black America, for example.

The Democratic candidate is free to embrace this concept where President Bush is constrained. The President himself may be able to verbalize support for such ideas, but his administration has already been frozen into the old paradigm. Unlike Reagan who was born into a relatively poor, Democratic family, George Bush was born to wealth and Establishment Republicanism, grafting on to himself the experience of entrepreneurial capitalism in his Texas days as an oil independent. His administration, though, is dominated by Establishment, country club Republicanism. Where Reagan's cronies in his "Kitchen Cabinet" were for the most part self-made businessmen who had started from scratch, President Bush remains most comfortable with Fortune 500 corporate bureaucrats, gentlemen schooled in the Ivy League.

There is nothing wrong with John Akers, president of IBM, or Paul O'Neill, president of Alcoa, the President's closest friends in the corporate world. Nor is there anything terribly wrong with Nicholas Brady, Richard Darman, Robert Mosbacher, Vice President Quayle and James Baker III. I like them all. But none of these gentlemen have in their experience the raw aspirations of those at the bottom of the opportunity ladder. Insofar as a second Bush administration would be dictated by the President's predilection for surrounding himself with people he feels comfortable with, it can only remain more or less frozen in its current posture.

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Contrary to the assertions of the Beltway Democrats, ordinary Americans are not suffering from a shortage of *income*, but a shortage of *capital*, that is, the financial means to achieve their aspirations. For example, the after-tax earnings of an 18-year-old entering the workforce on a full-time basis in 1982 rose by a full 50% by the time he or she turned 25 in 1989, at the end of the Reagan economic boom. The "average non-supervisory wage" fell because the labor force was flooded with 20 million entry-level workers between 1982 and 1989, not because workers already in the labor force suffered a decline in real earnings. In terms of *current consumption*, Americans are much better off than they were a decade ago. The average car, for example, now costs only 17 weeks of average pay, against 21 weeks average pay in 1981.

The ability of households to acquire capital -- to buy a home, start a business, finance a college education, secure retirement income -- has deteriorated. After inflation, the capitalization of traded equities and the price of U.S. housing stock has fallen since the 1987 peak, and along with it the net worth of households. The number of businesses incorporated each year, a rough sort of "opportunity index," has fallen each year since 1987; during 1987-1991, it fell by almost 10%. That is the first time that the number of new business incorporations fell for more than a single year since the data were first collected in 1947. By this measure, the ability of Americans to climb the opportunity ladder has deteriorated since 1987. Joshua Smith, chairman of the President's Commission on Minority Business, reports that there were fewer black-owned businesses by the end of the 1980s than at the outset, which is no surprise, since those at the bottom of the opportunity ladder suffer most when the ascent is blocked.

While Americans have higher incomes, their ability to acquire long-term assets, particularly homes, has deteriorated. The percentage of American households is roughly the same today as it was in 1984, but that reflects the aging of the population. Younger people find it harder to purchase homes. The monetary instability of the 1980s is the prime culprit. Inflation expectations built into the yield of long-term securities, such as home mortgages, push the cost of owning a home out of the reach of younger Americans.

The electorate knows what is ailing it. Traditional Democratic income redistribution schemes are less appealing than ever, because what the electorate needs is not increased income but increased opportunity. Governor L. Douglas Wilder's talk about Washington's fiscal irresponsibility comes closest to the mark, because Americans associate their inability to acquire capital with poor

management of the country's fiscal and monetary policy. Budget-cutting austerity is not the answer, though, and Wilder has not yet found the fault line in the diamond.

A Democratic Presidential candidate might express himself as follows in striking the fault line with a specific domestic agenda: "As President, I will break down the barriers to opportunity that prevent ordinary Americans from fulfilling their aspirations, by lifting the tax burdens that crush middle-class families, the working poor, and small enterprise. I will bring the personal income-tax exemption back to where it was a generation ago in terms of real purchasing power, to \$5,000. I will let America's struggling small business grow again, phasing out the capital gains tax in a way that both creates capital and helps make it accessible to those who cannot now get it, those at the bottom of the ladder of opportunity. I will cut Social Security taxes, which the Republican administration have used to put the burden of the deficit on America's poorest workers. And I will raise the tax rate on incomes over \$1,000,000 to 35%. No Beltway bean-counter is going to tell me that we can't afford to restore opportunity to ordinary Americans. Our Federal deficit is out of control because the Republicans have failed to stimulate economic growth. Given the chance to pursue their dreams, the people whom the Republicans have written off will make the American economy the wonder of the world."

The issue of capital gains taxation is emblematic of the new fault line in U.S. politics, as it can be seen as a tax on opportunity, not a tax on wealth. In both 1989 and 1990, the President faced the same critical choice on the direction of the economy: Will he fight for a cut in the capital gains tax? Or will he opt for budgetary fiscal "responsibility"? In both cases, the weight of advice from his Ivy League team swamped the Texas experience that led him to his capital gains position in the first place. In 1990, he even abandoned his no-new-taxes pledge to achieve a Budget Agreement celebrated by Establishment Republicans, an agreement that locked in the current recession. The recession produced budget deficits so embarrassing they have been scrupulously ignored by both political parties and the Establishment press.

The Democratic candidate who would be President cannot be bound by such constraints. He must be willing to denounce the Budget Agreement even to the point of chastising those in his own party who were behind it. Congressional Democrats are already chafing under its constraints, threatening to break it even prior to 1993. President Bush has no choice but to defend the agreement, unless he is willing to acknowledge his error and that of his economic team. His economic team will certainly not do so, which makes the team as much of a target as Bush for our hypothetical Democrat. The President must defend the Agreement, just as Herbert Hoover in 1932 defended the Smoot-Hawley Tariff Act and his "budget balancing" tax increases of that year. There is no way President Bush can win such an argument with the broad electorate. He might still win re-election, but this argument alone will cut into his plurality.

In 1980, the concept of Reagan's campaign was one of economic growth and the cutting edge was his pledge to cut income-tax rates by a third, replicating the Kennedy tax cuts that brought the economic boom of the mid-1960s. Reagan, in fact, was shameless in identifying his tax plank with JFK's. In 1992, the concept of economic growth through the fulfillment of individual potential must embrace a host of policy actions directed at economic, social and cultural concerns, some of which will be enumerated in this paper. But the concept should have as its cutting edge the *elimination* of the capital gains tax. The Democratic candidate should be shameless in identifying this plank with both Reagan and JFK. (In 1989, GOP proponents of a capital gains tax cut argued that President Kennedy favored this idea; Senator Edward Kennedy insisted that if his brother were alive in 1989 he would have changed his mind.) As a party, the Democrats have fought any differential on capital gains taxation because of the party's domination by the corporate Establishment. The "fairness" argument was developed along the axis of the old political spectrum, the old paradigm of rich and poor. It can most easily be abandoned by a Democrat who argues against any capital gains tax at all, on the grounds that the absence of the tax is most beneficial to those who aspire to wealth and achievement, as shopkeepers, farmers, independents and entrepreneurs.

Ted Forstmann, whose career on Wall Street is the embodiment of entrepreneurial capitalism, argued in his *Wall Street Journal* essay, "Blame the Tax Code, Not Milken, for Junk Bonds," 12/13/90, that those who are at the bottom of the opportunity ladder have most to gain from elimination of the capital gains tax, and that those of wealth and status have the least to gain. By definition, they are already wealthy. "The capital gains tax is not a tax on wealth. It is a tax on one's ability to improve one's lot by creating wealth. Taxing capital gains does not much affect the wealthy, who have their capital gains behind them and are principally concerned with maintaining their wealth. Its real impact is to suppress the initiative of Americans who are not yet wealthy, but have the talent and drive to create wealth, and thus benefit the economy." That is, a high capital gains tax prevents capital from flowing to the bottom of the opportunity ladder, where risks are high. A capital gains differential permits capital to flow down to lower rungs on the ladder. Elimination of the tax, as Forstmann argued by this logic, makes the most sense if the objective is to get capital to the grass roots under the ladder.

Imagine a horse race, with the favorite going off at even money, another at 2-to-1, another at 5-to-1, another at 10-to-1, another at 20-to-1, and the longest shot at 40-to-1. Imagine the 40-to-1 horse wins, but when the bettors arrive at the pari mutuel window to collect, an IRS agent is on hand to skim all but \$4 from a \$2 bet. If the reward for risk-taking is confiscated, two things happen. Bettors stick to the front-runners, and long-shots never enter the race. In the extreme, there is only one horse and one bettor in the race. This, in fact, was the impulse behind the Soviet experiment with communism 70 years ago. If there is no risk-taking, there is no failure. All rewards are equal when there is only one company, one chairman, one board of directors, one bank. The distress associated with capitalism -- financial panics, bankruptcies, unemployment, poverty -- can be avoided. In the United States today, as well as in most of the world, even as we celebrate the collapse of Communism, economic policymaking in general favors the frontrunners and discourages the longshots. For the fourth consecutive year, new business start-ups in the U.S. have declined. Banks, which are a primary source of capital, have narrowed their flow to the most "creditworthy," those at the top of the heap. African-Americans and Hispanic-Americans, as classes the longest shots in the economy, are almost completely cut off from capital sources.

A number of potential Democratic nominees have already made a bow in the direction of "business" interests by advocating a capital gains differential. Former Massachusetts Senator Paul Tsongas, the first declared Democratic candidate, has done so and argued that it is "idiotic" for the Democratic Party to oppose a differential. New York Governor Mario Cuomo has also, although advocating a higher rate for shorter holding periods, a 10% rate for investments held more than seven years. And Arkansas Gov. Bill Clinton is persuaded that the Democrats ought to promise at least targeted capital gains tax rates. Forstmann's position, of a zero rate after a three year holding period, is the best for a Democrat who has embraced the concept of the campaign I have outlined above. The Democrat does not need to throw a bone to the Fortune 500 crowd, which President Bush will have locked up anyway. It is easier to campaign for a zero rate because that is where Forstmann's logical arguments lead. A Democrat who takes that pure position also leaves no doubts in the minds of the voters that he is serious, and would fight, as George Bush never did, for the mandate he would receive.

A campaign pledge of this nature, as a cutting edge, will work to the Democrat's advantage even if, somehow, President Bush and the GOP platform decide to match it. Having campaigned for a 15% rate in 1988 and then done so little to get it through the Congress, the President's credibility is not high on this issue. What is even more important is the argument behind the policy pledge, insofar as a zero rate guarantees a maximum flow of capital to the aspiring -- labor that can not now get capital -- the young, the minorities, the disadvantaged. Instead of this potential coalition being forced to drift to the Republican Party, where there is now a weak commitment to a small cut in the capital gains tax, for the wrong reasons, the coalition would be pulled back toward the Democrats, at least at the top of the ticket. A great many younger Republicans running for House and Senate seats, not constrained by the position the White House has frozen itself into, would jump on this growth

bandwagon. In fact, I can imagine our Democrat nominee could win the White House even as the GOP gained in the House and Senate, correcting the political imbalance in both executive and legislative branches.

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A campaign is not waged simply on a cutting edge issue, however. The objective has not to do with taxation, but with economic growth in a setting of traditional values. The Bush Administration has frozen itself into a position whereby it can now rationalize the benefits of slower growth, just as the Democratic Old Guard, representing Establishment capitalism, justifies a low growth rate. The 1990 Budget Agreement now has the President forced to argue against an extension of benefits for the long-term unemployed, in a recession caused by the Bush Administration's hapless economic policy. The President's position is typical of Establishment thinking in both parties, which is how the Budget Agreement came to be in the first place. Our hypothetical candidate can use this issue to rally the party's traditional blue-collar supporters, who have to aspire to a paycheck before they can aspire to wealth and status.

The Bush Administration has also steadfastly opposed a cut in the payroll tax, which Budget Director Richard Darman at one point hoped could be used to pay off the national debt! The Democratic platform should embrace at least the concept of New York Democratic Sen. Daniel Moynihan's plan, committing itself to chipping away at the payroll tax in 1993 and doing more as the economy expands in the future. At the turn of the twentieth century, the Establishment insisted the work week could not possibly be reduced to five days from six, in many cases from ten hours per day to eight. As the twenty-first century approaches, there are again dark warnings that the work force will soon be too small to support the retired. The answer to a labor shortage, though, is capital. It is the only answer. With enough capital, the aim in the next century could be to further reduce the retirement age, at the same time supporting the retirements of an ever-aging retirement population with adequate public and private pensions.

The Democratic position that developed out of New Deal Depression mentality is that because there are too few jobs to go around, the elderly should be forced to retire sooner than they desire, by making their Social Security payments conditioned on retirement. This is another mercantilist concept that somehow became embraced by organized labor. It is a zero-sum concept that can only be understood by thinking of sons requiring the retirement of their fathers. It should be addressed in the 1992 campaign, with the Democrats liberating themselves from this millstone, freeing the elderly to work if they choose, without suffering a tax penalty.

In the same way, the Democratic position has also been anti-growth in its taxation of families. Forty years ago, when the general price level was a tenth of what it is today, the personal exemption was \$500 for everyone in the family. Today it is not much more than double that level, which means the tax consequences of having children are much heavier. The impulse is also Malthusian, the idea there will be more jobs to go around if there are fewer people being born. The growth wings of both Democratic and Republican parties now favor dramatic increases in the personal exemptions, but confront Establishment arguments that the economy cannot afford such extravagance.

Democrats now contemplating a run against George Bush are somehow tempted to run against Ronald Reagan in the 1980s even though they could not come close to defeating him in that decade. The term, "The Excesses of the Eighties," is the primary banner raised against that objective. It is an Establishment term, reflecting the upheavals that threatened the Establishment with the threat of rampant entrepreneurial capitalism. A low growth rate for the Democratic Old Guard serves the status quo, keeping blacks and minorities and the disadvantaged dependent upon the old paradigm, the welfare state, the liberal plantation. The usual stable of Democratic economists also insist that economic growth is inflationary, which then suggests slow growth is not. Slow growth also *seems* to

serve the environmental cause, at least on the surface. The extreme Malthusian model would suggest that if all work stops, so will all internal combustion engines, instantly solving the problem of global warming.

A growth Democrat who would win in 1992 has to be able to argue that economic growth, of the kind that flows from an entrepreneurial dynamic, would be so bountiful that it would provide its own clean-up resources. In blasting away the rationale for the Budget Agreement, the debate shifts away from balancing the budget in the shortest period of time to *doubling the size of the economy in the shortest period of time*. A Democratic vision can anticipate an extra \$5 trillion of GNP providing resources for a great variety of public purposes. The resources do not necessarily have to flow through governmental budgets, but can be directed through the regulatory process. This was the intent of the Democratic platform in 1988, but the idea has little appeal in an economy that is stagnating; all "mandated benefits" subtract from a stagnant pool and lead to further economic contraction. In Japan, where the economy has been doubling every 11 years, the government can mandate environmental and other public benefits -- health care and education included -- that are seen as contributing further to the commonweal.

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In the same way, a growth concept permits a Democratic nominee to deal with national security and defense spending issues in a reasonable way. A campaign based on the prospect of feeble economic growth pushes the Democrats in the direction of stripping the Pentagon budget to pay for the "middle-class programs" their pollsters tell them they must come up with. Even if the Pentagon budget remains constant in dollar terms as the economy is growing to \$10 trillion from \$5 trillion, it of course falls by half as its real burden on the economy.

To deal with the argument that growth is inflationary, a Democratic nominee who argues for growth usually finds himself arguing that some inflation is acceptable. The great inflation of 1968-82, the worst by far in the history of the United States, occurred while both political parties were dominated by the corporate elites, country club Republicans and limousine liberals. The last Democrat who pledged to keep the dollar "as good as gold" was John Kennedy. Lyndon Johnson's economists talked him out of the London gold pool. Richard Nixon's economists talked him into explicitly devaluing the dollar, devaluation being synonymous with inflation.

Inflation is always acceptable to debtors, and the biggest debtors who sought and found inflation relief in this period were, besides the U.S. Government itself, the Establishment debtors, those with the best credit ratings who are always able to borrow from the system. Those hurt the most by the inflation, as a class, were black Americans, who find it difficult to borrow from the system in the best of times. The inflationary spiral did not begin to end until Ronald Reagan was elected, with determination to restore the integrity of the dollar. From its earliest days, the Bush Administration has been on the other side of the issue, not by much, but enough to embrace the idea of an "acceptable" level of inflation. It has been President Reagan's appointees to the Fed who have resisted the incessant pleas from the Bush Treasury and White House for easier money. Sound money is far more important to a nation than simply as a commercial vehicle. Unstable money breaks the linkages between effort and reward, throwing windfall gains to debtors in an inflation, windfall gains to creditors in a deflation. Work effort and saving are demeaned, time horizons truncate, a premium is placed on financial manipulation and wizardry. Richard Darman's phrase "now-nowism" is throughout history observed as coincident with an unstable monetary standard.

A Democrat who has a dynamic growth package built around a zero capital gains tax is also in perfect position to commit himself to zero inflation -- to a dollar that holds its value over time in terms of gold and/or other commodities that are sensitive to inflationary impulses. The closest Reagan administration got to this position was in September 1987, when then Treasury Secretary Jim

Baker shocked the Establishment by telling the International Monetary Fund in Washington that he favored stabilizing the dollar against a basket of commodities, including gold. In the following weeks, Establishment economists outside and inside the administration pushed Baker into a posture of dollar devaluation, resulting in the Wall Street Crash of '87.

Eminent economists who serve the interests of the Establishment by advocating dollar devaluations and cheap money abound, in both Democratic and Republican circles. Martin Feldstein, who has been a Bush favorite for many years, has never let up on his incessant calls for a cheaper dollar. Feldstein has also seriously argued the United States might have been better off if the 13 original states had 13 different currencies. In his September 11 *New York Times* Economic Scene column, "Currency Muddle: Less Is More?" Peter Passell makes essentially the same argument and quotes Harvard's Richard Cooper to the effect that the 15 republics of the USSR may be better off with separate currencies, permitting individual currency devaluations. Cooper, a manic devaluationist, was Under Secretary of State for Economic Affairs in the Carter Administration. President Carter did not actually become an inflationist until his inauguration, when the Establishment urged him to place C. Fred Bergsten at Treasury. Bergsten, a friend of Cooper's, has been the most vocal devaluationist of the past quarter century.

For this reason, a Democratic presidential hopeful may have to go beyond pledging to simply fight inflation. To persuade the voters of his seriousness, he might have to seek a mandate the Establishment would find difficult to break, a formal pledge to the international monetary system to which President Reagan and Jim Baker were moving in 1987. Again, President Bush would have the option to take the same position, but the fact is he would be taking a position on behalf of sound money after three years of pressing for ease. The advantage would be with the Democratic contender, who can easily explain his position as being consistent with the concept of his anti-Establishment campaign. The position is also consistent with massive savings on federal spending for debt service.

A candidate who is going to eschew public opinion polls as a guide to his campaign must have an internally coherent concept of governance, as Reagan did. If you have an internally coherent concept of governance that you believe will "cleave the diamond," you cannot be distracted by the kibitzing of pollsters beyond narrow limits of use. President Bush was at his best after Saddam Hussein invaded Kuwait, acting by instinct and principle without checking the polls -- which would have told him to do nothing.

A Democratic campaign that resembles a Reagan campaign on capital gains taxation and hard money would, by itself, seem almost Republican, even though the accompanying rhetoric would be tailored to the Democratic base. There is plenty of room once the candidate moves beyond the economic cutting edge to take distinctly traditional Democratic positions. He could be avowedly pro-choice on abortion, anti-choice on education, opposed to capital punishment, in favor of affirmative action, and pledged to name a liberal to the Supreme Court. (It is getting to the point a liberal will be needed on the Court, just to add a bit of variety.) On taxation, he could recommend a 35% income tax bracket for incomes above \$1 million and an end to a variety of programs one might characterize as corporate socialism -- the various tax breaks, credits and subsidies that the Establishment has been successful in squeezing from the Beltway at the expense of the taxpayers. Vice President Quayle has recently struck a responsive chord in the electorate with his arguments for legal reforms that address the avalanche of litigation that is swamping the courts and pulling too many of the nation's best and brightest young men and women into the pursuit of legal careers and the cornucopia of contingency fees. A Democratic presidential contender who is asked about this controversy would do well to cherry-pick this populist position from the Vice President instead of automatically seeing a chance to win the support of the lawyers, who surely know of the need for reform.

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An area vital to the chances of the Democratic candidate who would defeat George Bush involves the issue of race in America. The nomination of Judge Clarence Thomas is helping to crystalize a debate that has been taking place within the black community, adding to it a fresh impetus and intensity. Observant Democrats have noticed a small, but steady erosion of their party's hold over the black electorate. Just as the leaves of a tree are the first to shake and quiver as a big storm approaches, we see significant agitation at the top of the community, debates and fall-outs among black America's intellectual layers.

Shelby Steele, in *The Content of Our Character: A New Vision of Race in America*, defines the emerging framework of a new perspective: "I think black Americans have made, collectively, one of the greatest contributions to American life that could possibly be made through the civil rights movement....On the other hand, I think we have over-relied on collective action to take us further....We do have more opportunities to advance, educationally and economically than we did before....It's now time...[for] stronger emphasis on individual responsibility and individual initiative. That's where our future lies."

Clearly, entrepreneurial capitalism offers the only avenue for advancement of black America. It was in the period between 1977 and 1982, when the Steiger Amendment cut the capital gains tax from 49% to 28%, that the largest expansion ever of black-owned businesses occurred -- a mammoth increase of 50%. The Bush administration, though, is vulnerable on its laggard efforts to nurture and encourage growth at the grass-roots level. One of the particularly distinct features of the economic expansion of the Reagan years was precisely the rapid and large growth of small entrepreneurial ventures, an increase of 65.4%. It was also during that period that almost 90% of all jobs created in the industrialized world were within the United States, where 20 million new jobs were added. More importantly, 95% of these jobs were created by half a million growing companies, while the Fortune 500 companies lost a fifth of their jobs. These rates of growth came to an end last year under the Bush Administration.

Within the administration, Housing and Urban Development Secretary Jack Kemp has worked tirelessly to advance a set of policies for attacking and eliminating poverty. But even here the administration is vulnerable because empowering the poor won't work by itself. Empowerment alone will not create jobs or augment earnings at the lower end of the wage scale, and it won't bring capitalism to the inner city. It's hard to have capitalism without capital. There's no less desire for economic advancement within the black community than there is elsewhere. But without access to seed capital, black entrepreneurs seeking to start or expand an enterprise and provide employment haven't the resources or incentive to take on the risks involved, with millions remaining caught in a poverty trap.

There is a certain sterility, though, to the debate outside the African-American community over the issue of urban poverty. *Washington Post* columnist William Raspberry sharply identified a nasty consensus on the problem among conservatives and liberals, "The Ecology of Urban Poverty," 2/13/91. Smug conservatives assert that the poor are poor because of their own choices -- "they prefer government handouts to hard work...ignore opportunities to better themselves...place too little value on education, have too many babies, refuse to form stable families," etc. On the other side of coin, is the knee-jerk response of the "blacks as victims" activists -- racism is responsible for urban poverty. Both are saying "members of the underclass are immune to the mechanisms -- hard work, thrift, inculcation of decent values -- that have lifted previous generations of the black poor out of their misery," i.e., *it's their own fault*.

Here, both the Democrats and Republicans are vulnerable. But the prize will go to the candidate who listens and who absorbs the appropriate lessons from the debates now taking place within the African-American community. As long as Bush remains comfortable with a slow growth road, which merely compounds and exacerbates the worst problems of the African American community, and with a

capital gains tax rate that effectively prohibits aspiring and ambitious black entrepreneurs from access to capital, GOP advances there can be reversed and brought back into the Democratic party. But it would simply be wishful thinking to assume that such can take place while the Democratic candidate mouths the standard old line that the GOP is the party of tax breaks for the rich. That line doesn't sell as well anymore. There are simply too many citizens, having gone through the economic expansion of the last decade, who have aspirations of becoming "rich" and now reject the failed zero-sum income redistribution schemes that are part and parcel of most Democrats' policy baggage.

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A presidential campaign based on a coherent concept, as opposed to a programmatic laundry list, need not be all that specific. In his astonishing campaign for the presidential nomination in 1976, Jimmy Carter was criticized constantly for his fuzziness on the issues, signaling only non-threatening populist impulses. As he sharpened his message, he lost a series of late primaries to California Governor Jerry Brown. In the fall campaign, his enormous lead over President Ford dwindled steadily as his early populist themes were overtaken by the Establishment advisors who crowded into his campaign after the convention.

The conventional wisdom among the political pros has been that a Democrat who opposed Operation Desert Shield would practically be an automatic loser to Commander-in-Chief Bush. I've disagreed with that position, especially as those who opposed the action in advance on a cost/benefit calculus were reflecting the deliberations of the electorate at large. Once the decision was made, the electorate clearly swung behind the President, and so did those Democrats in Congress and in statehouses who had expressed reservations. The electorate in 1992 will be interested in a candidate's philosophy, wishing to know how cost/benefit analyses might be made in future crises abroad in assessing vital national interests. Statements by a political figure that suggest he would never use force to defend an interest the electorate considers vital can, of course, be used effectively against him. No Democrat in the field at present as an announced or prospective candidate seems to fit this mold.

As Ronald Reagan demonstrated by his successful candidacy, the electorate does not require foreign policy credentials in its selection process of a national leader. Credentials can be a plus, as in the case of George Bush. But far more important, I believe, is a candidate's philosophy as it is communicated to the voters regarding national security and the global political economy. In 1980, George Bush was Ronald Reagan's principle rival for the GOP nomination, and on foreign policy his extensive credentials were trumped by the voters' appreciation of Reagan's philosophical bent, his values as they came across to them. As harsh as Reagan might be in characterizing foreign adversaries, he still appeared non-threatening to the electorate, in control of his emotions and his trigger-finger, in a way Senator Goldwater did not in his 1964 campaign.

In the post-Cold War world, our Democratic nominee can practically stipulate that President Bush has superior skills in managing the mechanics of foreign affairs. The United States is in a rare position, similar to the period immediately after World War II, where its global leadership is unchallenged. The entire world political economy, now including the Soviet Union, looks to the United States for guidance on international arrangements in the period ahead, in the new world order. This is not the strong suit of President Bush, who will tend to look to the Establishment for answers, waiting for the cards that will be dealt him instead of dealing the hand himself.

Here we have all the furniture we need in this new world -- a United Nations, a G-7, an International Monetary Fund, a World Bank, a World Court. It is suddenly plain that in this new world they all have to be rearranged in fundamental ways and the United States is the only nation in a position *at the moment* to initiate the process of change. A half century after the war, Germany and Japan obviously have to be drawn up to higher formal levels of responsibility in these global arrangements. The International Monetary Fund and World Bank are as intellectually exhausted as the

Kremlin, creating more problems than they solve with every step. Having been created in 1944, they have by now become creatures of the Establishment, interested least in economic development, most in serving as collection agents for the multinational banks. None of these mechanisms need be scrapped, but in "a new world order" require a U.S. President who looks at them as furniture to be rearranged, not as institutions cast in marble. If President Bush were to have the power to name a world cabinet of these international institutions, his tendency would be to do the same thing he has done at home -- appoint his old chums, men of wealth and privilege who have a strong sense of *noblesse oblige*. That will not cut it anymore. The global electorate is not interested in the redistribution of wealth any more than is the U.S. electorate. People everywhere want the opportunity to realize their individual potential, but all too often find their own elites, through the control of the apparatus of government, preventing any advance up the ladder of opportunity.

A Democratic contender who looks at the citizens of the world as an extension of the American electorate can make headway in attracting votes at home. President Kennedy failed in this regard. That is, he was the last Democratic leader of the entrepreneurial wing of his party, representing the aspirations of those eager to achieve a piece of the American Dream. Abroad, though, the Kennedy administration looked upon the developing world through the lens of the old paradigm. Vietnam was an exercise in Establishment *noblesse oblige*, as was the Peace Corps. The IMF and World Bank became, respectively, a collection agent for the Western banks and a welfare agency to distribute resources through low interest loans. When, in these last few years, the Communist bloc turned to the West, pleading for advice on how to make the transition to capitalism, the Bush administration automatically assumed these empty marble institutions would step forward to do the job.

In the post-Cold War world, the American electorate, I believe, is prepared to see its President deploy abroad the same policy he deploys at home. The formulas that are developed to generate a new wave of dynamic, entrepreneurial capitalism at home should be offered to the world at large. The tax, monetary and regulatory policies we deem appropriate to inspire prosperity and achievement at home should not only be reflected in the approach of the international agencies of the U.S. government. U.S. leadership should also be devoted to reshaping the international institutions to reflect this philosophy. The U.S. electorate, at the moment discouraged, frustrated, even angry at the meandering, purposeless direction of the ship of state, awaits a Democratic candidate who can at least awaken President Bush to the need for change, and failing that, who is prepared to take the helm himself.

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