

The Conservative Revival in America

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It was unfortunate for the authors of *Quest for the Presidency 1992* (Goldman et al., 1994) that their book should have been reviewed so soon after the November 1994 congressional election. More than one commentator has referred to what the authors no doubt thought was a decisive sentence: 'The central idea of the Reagan Revolution, that government was a bad thing, is no longer relevant to reality' (quoted in Barnes, 1995:69). Something has happened to the American political scene since Bill Clinton's presidential victory which has intrigued, excited and baffled observers. This is, of course, the Republicans' success in the congressional elections of November 1994. This is the first time that the Republicans have controlled Congress since 1954. They now have over half of the state governorships, and, given the continuing unpopularity of President Clinton, must be favourites to capture the White House in 1996.

More important, in the long run, is the fact that the mood in America has changed. The Republicans now display self-confidence, not to say hubris, while the Democrats, and their principal media outlets, especially *The New York Times*, thresh around for excuses. The major spokesperson for liberal Democratic values now appears to be Miss Barbra Streisand.

Many Republicans are tempted to regard the election results as redolent of the reorientation of American politics that took place after 1930. Then the Democrats captured Congress and followed up with Franklin D. Roosevelt's presidential victory in 1932. Until about the late 1970s there was little serious opposition to his legacy. The House Republicans' 'Contract with America' certainly looks like an attempt to undo crucial features of the New Deal, especially in welfare policy, and the Republicans seem to have exploited to the full the current anti-government mood of the American people. Many are now talking of the 'third stage' of the Reagan Revolution. In his two terms, that Republican president did manage to defeat inflation, cut taxes and generally revitalise the US economy; but he failed to control public spending, even though the Republicans dominated the Senate for six of the Reagan years. It is, of course, Congress that authorises spending in America; and now that the Republicans are in control there are hopes that a balanced budget can be achieved by 2002 (though the failure of the Senate to produce the two-thirds majority required for the congressional stage of the constitutional amendment process was an early setback for the Republicans).

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To assess whether there has been a reorientation in American politics, we must examine two areas: the election results themselves and the current state of the debate around certain crucial areas of public policy. The latter now covers a wide range of issues, including the Constitution itself, welfare, Social Security and economic policy. Hanging over the debate is the question whether the Republicans can translate Americans' apparent disaffection from Washington into positive actions to reduce the power of the federal government and to return significant decisions to the states and to individuals. This task may prove to be extraordinarily difficult: very many Americans are now locked into various government schemes, especially Social Security and Medicare, and will be very reluctant to abandon them whatever contemptuous things they may say about government to pollsters.

What Happened in November 1994?

The meaning of the election result itself should not be misunderstood. It was not an earthquake, a landslide or even a sweeping victory. The Republicans secured only 51 per cent of the votes cast for House of Representatives seats, the narrowest winning margin since 1984; and their Senate majority (54 to 46) was helped by two post-election defections by Democrats. More intriguing is the fact that the size of the Democrats' defeat in the House (they are now in a minority of 199 to 235) was partly their own doing. They are now under-represented in the House as measured by the popular vote. By some estimates (Polsby & Popper, 1995) they threw away up to 15 seats by an inept piece of gerrymandering. This came about as a result of a perverse use of the Voting Rights Act 1965 (as amended and interpreted from 1982). The original legislation was designed to ensure equal access for blacks and other minorities to the vote. But it was perverted from this aim by civil rights activists: a number of congressional districts were redrawn so as to guarantee the election of blacks. The result was that majorities were uselessly piled up in some districts, leaving fewer Democrat voters for more closely contested seats elsewhere. This was most visible in the South but it apparently also contributed to the defeat of a Democratic stalwart, Dan Rostenkowski, in Chicago. It has also significantly increased the power of blacks in the Democratic Party: their share of Democratic seats has risen from 15 per cent to 19 per cent. Since they tend to be radical, Clinton will find it more difficult to shift the Democratic Party in a moderate direction. Although there are now increasing numbers of black conservatives in America, black Democrats seem not to have changed very much since the 1960s.

Many commentators are disturbed by this further example of the 'Balkanisation' of American political life. It had been exemplified with the nomination by Clinton of Lani Guinier — an advocate of representation by race — to an important civil rights executive position. The resulting controversy compelled the President to withdraw her name. Indeed, Clarence Thomas, the controversial black appointment to the Supreme Court, made his only serious contribution to jurisprudence so far with a brilliant attack on racial gerrymandering in *Shaw v Reno* (1993). The Court, having regularly upheld such action, has now said that really bizarre redrawing of boundaries might be unconstitutional. Some Republicans are silent on the issue, for purely tacti-

cal reasons, while remaining openly hostile to other cases of affirmative action and social engineering by race.

But perhaps the most significant long-term effect of the election is the change in the political geography of the South. Once the bastion of the Democratic Party, for historical reasons only, it now has, for the first time since Reconstruction, a majority of Republican representatives. As the *Wall Street Journal* put it the day after the election: 'The Civil War is finally over in the South'. Most Southern conservative Democrats have now defected (an early example is Senator Phil Gramm of Texas, now a leading Republican contender for the presidency) or openly support Republican national policies. Of course, Republican presidents have always relied on Southern Democrats in Congress to get their measures through; but now the relationship between the South and the Republican Party is much more open.

Even though the November 1994 result was a rebuff for the Democrats rather than a rejection of all politicians (after all, not one incumbent Republican was defeated), the Republicans could easily suffer electoral retribution if they fail to deliver on their promises of reducing taxation and the burden of government. Although the Contract with America may have been cobbled together for electoral purposes, it is addressed to those problems in American society that are of abiding significance. It is also pertinent to note that House Republicans are much more radical than their Senate counterparts: the latter took no part in the Contract and are likely to hold it up, even over the long period. It is the young House Republicans who represent the conservative mood that is said to be sweeping the country.

But what exactly are the things that bother Americans? Why is the richest country (and still, remarkably, among the most stable countries) in the world going through such a protracted period of self-examination? For even if the Congressional election results do not indicate a *direct* change of political opinion on the part of the electorate, it is undeniable that the social and intellectual environment is more favourable to conservatism than it has been at any time since the 1920s. The country is replete with free-market think tanks (though more donations are made to liberal ones), and some, including the Heritage Foundation and the Cato Institute, have close connections with the Republican leadership. The intellectual elite in America is no longer exclusively liberal, although pro-government activists still have a stranglehold on the media and the universities (especially the more prestigious private ones — a nice irony).

It is not necessarily easy for non-Americans to grasp just how unfashionable conservative thinking was in America from the 1930s until the 1970s. At the political level the Republicans had adopted a 'me too' attitude towards the New Deal. They promised not to repeal it but to moderate its more overtly anti-market and anti-capitalist features. Of the congressional leadership, only Senator Robert Taft, who narrowly lost the presidential nomination to Dwight Eisenhower in 1952, stood for the old values of small government, free markets and a reduced role for America in international affairs. Although Eisenhower is normally thought, correctly, to have been a conservative president, the old Republicans never regarded him as a true spokesman for their values. The humiliation of Senator Barry Goldwater in his bid for the presidency in 1964 seemed to convince many conservatives that fundamental reforms to the system

were impossible. Indeed, the 'country club' Republicans, who remain powerful even after the November election, earned the scarcely disguised scorn of their younger and more ideologically committed colleagues.

New Directions in American Politics

Just what is it that Americans, and not just overt conservatives, are re-examining? The short answer is that it is Roosevelt's legacy of big government, extensive social welfare and crypto-Keynesian economics, as implemented by successive presidents: John Kennedy, Lyndon Johnson, Richard Nixon, Gerald Ford, Jimmy Carter and now Bill Clinton. Of course, Roosevelt was subtle enough not to press very hard on civil liberties and the race issue; he did not want to offend his Southern partners in a superficially unlikely Democratic coalition. Reform here was pioneered by Johnson and others. There is now clearly a reaction against this from which Democrats are almost certain to lose. Indeed, according to *The New York Times* (10 November 1994), white males, the main 'victims' of affirmative action programs designed to benefit blacks and women, are now overwhelmingly Republican.

As in all things American, we must go back to the Constitution to understand what is going on. Most critics of government maintain that the document no longer protects the states or individuals against predatory action by the federal authorities. There has, for example, been a complete reversal of the proportion of GDP spent by Washington compared with that spent by the states since the early part of this century. No doubt this was made possible by the passage of the Sixteenth Amendment (1913), which authorised the raising of a federal graduated income tax. But it was also helped by a supine Supreme Court (post-1937), which has allowed the central government to occupy areas traditionally thought to be the responsibility of the states. The Court has also refused to protect the rights to contract and property (see Siegan, 1980) while expanding civil liberties to areas not specified in the Constitution. For example, whatever the moral rights and wrongs of abortion, many conservatives objected to *Roe v Wade* (1973) precisely because in it the Supreme Court invalidated 50 state statutes (some of which already allowed the practice) overnight. In fact, this decision simply carried on the tradition of removing most state authority from the area of civil liberties, a process that was begun by the Warren Court (1954-69).

Many Americans therefore feel that there has been a kind of nationalisation of economic, social and moral life that would not have been permitted by the Founding Fathers. Hence the demand for the resuscitation of the Tenth Amendment, which reserves to the states and the people all powers which are not *specifically* allocated to the federal Congress. However, since the 1930s the Commerce Clause, which was originally intended to ensure free trade between the states, has been used to authorise a vast expansion of central regulatory power. The nadir of the states' authority was reached in 1985 when the Supreme Court, in *Garcia v San Antonio Transit Authority*, ruled that federalism meant only that the states had representation in Congress. In other words, ultimately they have little or no legislative autonomy in the constitutional sense.

But we are now witnessing attempts to revive the Tenth, not only from politicians in search of votes but also from plaintiffs seeking redress in the courts for what they think is an unwarranted use of federal authority. Litigation already under way is challenging the post-1937 use of the Commerce Clause, and *Garcia* may well be overturned. That part of the Republicans' program which envisages the return of welfare to the states has to be understood not just in terms of economics (there is really no evidence that the states will be any more parsimonious here than Washington) but as a response to a widespread feeling that the federal government has gone beyond its proper bounds.

The fact that spectacular depredations to the Constitution have regularly occurred throughout the 20th century has not diminished the Americans' faith in their document. That is why they repeatedly try to do constitutionally what most countries do politically. The demand for a balanced-budget amendment is an explicit recognition of the failure of the ordinary democratic process.

Intractable Problems for Conservative Policy-Makers

It seems to be widely recognised, even by Democrats, that vote maximising in competitive party democracies does not lead to the promotion of the public good but to the emergence of coalitions of interests that use the instrument of taxation to reward their clients. Hence the predominance of 'pork-barrel' politics in the US. In this complex bargaining process, members of Congress reward their own areas with federal largesse. The fact that such expenditures are tacked on the end of bills, such as the Budget, that have to be passed fuelled the demand for a line-item veto (which has now passed the House). The general point is that the voters are in a massive 'prisoners' dilemma': in the long run they all (or nearly all) lose from excessive federal spending, but none has any rational incentive to refrain from action that promotes it. Whereas Democrats want to get round the dilemma by 're-inventing government' (whatever that means), the Republicans prefer constitutionalism.

Intriguingly, at the November election a small number of Republican candidates actually said that they would not take 'pork' for their districts and states even if they had no guarantee that others would be so public-spirited. However, in the absence of the opportunity to 'punish' defectors from such very informal agreements, it is impossible even to imagine that the dilemma could be overcome through voluntary co-operation. But at least conservative politicians are aware of the potentially self-destructive properties of conventional democratic politics. The Democrats are equally aware of the problem but, because of their power base in various interest groups, are less eager to do anything about it.

The obvious examples here are Social Security and Medicare for the aged: benefits that people think they have paid for through lifetime contributions through the payroll tax. Actuarially this is, of course, nonsense, but such is the power of myth that no politician dare openly question these payments. When this kind of bogus morality is combined with the fear of electoral retribution (and the elderly, unsurprisingly, have a higher voting turnout than the young), there is almost an insurmountable obstacle to reform. The Republicans have repeatedly said they will not touch Social Security,

rather in the way that Conservative politicians in Britain always claim that the National Health Service is safe in their hands.

The fundamental problem in American politics is that the most costly of welfare programs are not regarded as 'welfare' by the American voter. Yet Social Security and Medicare clearly are such: they are financed by a redistribution from the young to the old. But what Americans think of as welfare — food stamps, Aid to Families with Dependent Children (AFDC, a program that dates back to the 1930s), additional help to unmarried mothers and assistance to the uninsured poor — constitutes less than 2 per cent of public spending. However, the projected spending for 1995 on Social Security and Medicare is over US\$400 billion (out of a total budget of \$1.5 trillion). It is clear, therefore, that no American government can make any serious dent in the government deficit (now running at \$200 billion a year) by attacking the unpopular welfare programs alone.

Social Security is worth looking at in more detail since it is probably the most important long-term problem of American social policy (see Barry, 1985). Inaugurated in 1935, it was originally meant to be self-financing: the tax receipts would constitute a fund on which future retirees would draw. However, it very quickly became a 'pay as you go' scheme in which the present generation of workers pays pensions to current retirees on the implicit understanding that future cohorts of workers will be similarly generous to it. Such schemes are vulnerable to changes in the birth rate and to increasing longevity through medical improvements. America has been experiencing both these phenomena. Especially important is the decline in the birth rate, which has reduced the support ratio (the number of workers per retiree) from about four to one in the 1950s to about three to one now. It is expected to fall even further as the baby-boom generation starts to retire from about 2015. Pessimistic social scientists (Ferrara, 1980; Weaver, 1983; Craig Roberts, 1983) predict vast increases in payroll taxes to finance the government's unfunded legal obligations (now put at over \$8 trillion).

It is true that reforms were made in the Reagan years (see Barry, 1993) and trust funds were built up. But these consist solely of government debt that will one day have to be redeemed, leading to higher taxes. Of course, if there had been exclusive private saving (in stocks and bonds) for old age, the capital structure would have been deepened, partially solving the population problem. But, given the way American politics operates, it is difficult to see how the problem can be solved.

Exactly the same potential fiscal nightmare exists with Medicare (which is only partially financed by contributions). Enacted in 1965 as part of President Johnson's Great Society program, it similarly depends on the illusion that the recipients have actually paid for their treatment. Indeed, Clinton's completely misguided health care reforms were mistakenly aimed at controlling the growth in private spending on health when, in fact, the major cost increase has occurred in Medicare and Medicaid (zero-priced treatment for the poor). These two programs together now account for nearly 40 per cent of total spending on health in the US. While it might be possible to make some economies in Medicaid — its cost is shared between the states and the federal government — the vote-maximising imperative is likely to preclude reforms to Social

Security and Medicare until events compel governments to take action: by which time it is normally too late and one generation is bound to be hurt. (Both the House and the Senate have now included Medicare cuts in their plans to balance the budget by 2002. But even if those cuts were eventually to be implemented, the overall cost of Medicare would continue to rise.)

The Moral Problem of Welfare

What ordinary Americans seem to care about most — and it is a concern to which politicians naturally respond — is the social and behavioural problems that have become associated with welfare of the conventional type (see Mead, 1992). The apparent breakdown of the family, and the emergence of an underclass that shows every sign of reproducing itself through time, have animated the more moralistic conservatives (represented by the Christian Right). The most pressing problem seems to be the collapse of the black family. In certain inner-city areas 80 per cent of black babies are born out of wedlock; the overall average is 60 per cent. All this is associated with the rise in crime and the emergence of a drug culture. There is evidence that the white community is beginning to show similar tendencies.

Although Republicans and Democrats are in some agreement about the counter-productive effects of easily available welfare, and both parties favour some form of workfare, the former are more committed to a complete overhaul of the system. The plan, which has passed the House, is to end federal programs such as food stamps and AFDC, hand over money to the states in the form of block grants, and permit them to spend it almost as they wish. This has been tried before (under President Nixon, for example), but with little success, largely because the states managed to transfer items of federal spending that had been cut to areas that had not. This time, however, the reform is more radical because, if implemented, it will abolish a whole swathe of federal programs.

The issue is perhaps one of morality since, as noted above, not much saving can be made from cuts in these welfare programs. Its existence does, however, point up some potentially important fissures in the ideological structure of conservative Republicanism. There has always been a tension between its economic and moral tendencies, which was illustrated quite beautifully when Christian Republicans objected to projected welfare cuts on the ground that they would lead to an increase in abortions. This difference in outlook is likely to pose problems for conservative Republicans in other areas of public policy.

The Return of Supply-Side Economics

Republicans in Congress will hope to solve the budgetary problems by supply-side reforms as well as spending cuts. It is quite likely that they will fall into the Reagan trap of hoping that lower tax rates will generate increased revenues and so obviate the need for really severe, and politically damaging, reductions in public services. As if this were not serious enough, it is almost certain that they will run up against presidential vetoes on tax cuts that seem to advantage the rich. Most Republicans think that a

capital-gains tax cut is justified on efficiency grounds because it would free capital, which is at present locked up in unproductive sources, for investment. Various suggestions have been made for achieving this end without the rich being presented with an 'unjustified' gain.

But although both political parties in America claim to be acting on behalf of the apparently forgotten middle classes in their proposed tax cuts, it is these groups that at present gain so much from bloated federal expenditures. Not only do Social Security and Medicare go mainly to the retired, many of whom who are already well off, but many other services, including college loans and other educational opportunities, farm subsidies and veterans' benefits, are not aimed exclusively, if at all, at the poor. Public choice theory tells us that nothing much will change here. Just as thieves rob banks because that is where the money is, politicians appeal to the middle classes because that is where the votes are.

There is, nevertheless, one supply-side area where real progress can be made without running into insurmountable difficulties posed by entrenched pressure groups: regulation. One of the legacies of 40 years of Democratic Congressional rule is an extremely costly set of rules covering clean air, clean water and the environment in general. Not only have compliance costs slowed industrial development, with not much benefit to the environment (see Anderson & Leal, 1992), but individuals have suffered great injustice when they have purchased land that subsequently became seriously devalued, and occasionally almost worthless, because of an environmental regulation. Many lawyers (see Epstein, 1984) have argued that the 'takings' clause of the Fifth Amendment, which forbids the taking of private property into public use without just compensation, ought to be enforced when property values are reduced by regulation (as well as when it is paid for a straight taking through 'eminent domain').

Some progress has been detected in the case of *Lucas v South Carolina Coastal Commission* (1992), in which a person who had bought a stretch of beach for development for US\$1m, only to have his investment wiped out by an environmental regulation, took his case all the way to the Supreme Court. He was eventually compensated. However, it is agreed that too much should not be read into this case since it was somewhat special: Mr Lucas lost all of his investment. In most cases the value of property is simply reduced and there would appear to be no redress in such circumstances.

The Republicans are apparently not prepared to wait for legal developments but have proposed that a congressional statute should enjoin public authorities to compensate landowners affected by a regulation that only partially reduces the value of their property. Despite the comments of environmentalist critics, compensation will not be paid where the regulation is designed to prevent the property holder causing damage to the community.

Environmentalists are certain to object to any move that protects industrialists against disabling legislation; but the power of such groups may be on the wane. Already a significant body of work (see Ray & Guzzo, 1993) is being built up that clearly, and scientifically, refutes their more apocalyptic prognostications. Furthermore, federalism may not quite be moribund, for the states are now beginning to compete with

one another (see Becker, 1995) in offering favourable conditions in order to attract investment. This is not just in the environment but in most other areas of industrial regulation and, of course, taxation. That is the way federalism should work. Throughout most of the 20th century the aim of American liberalism has been to create uniform standards in virtually all areas of public policy, precisely in order to prevent this type of jurisdictional competition.

Concluding Thoughts

The political scene in America is at the moment unusually exciting. It is true that the mood of the country is determinedly anti-political. This is borne out by the fact that a significant number of states had already passed term limits for their senators and representatives in advance of similar moves by Republicans in Congress. (In the event, the attempt to do this by constitutional amendment failed its early stage; and the Supreme Court has struck down as unconstitutional the term limits imposed by the states.)

However, we must be careful how we interpret this distrust of politics. It does not extend to political activity that preserves the privileges of the elderly, favoured welfare recipients and beneficiaries of federal 'pork'. And it is in these areas that the permanent problems lie: unsolved, and possibly incapable of solution given the structure of American politics. Americans may hate Congress but they still rely on their *particular* congressmen to bring home the bacon. Conservative Republicans have tended to prefer the luxury of costless moralising to the politically difficult and electorally unrewarding task of implementing needed economic reforms. But it is by their performance in the latter that they will ultimately be judged.

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