New England Journal of Public Policy

Volume 5 | Issue 2 Article 3

6-21-1989

The Past as Prologue? What Past Industrial Conflicts within the GOP Tell about the Future of the Bush Administration

Thomas Ferguson
University of Massachusetts Boston

The Past as Prologue?

What Past Industrial Conflicts within the GOP Tell about the Future of the Bush Administration

Thomas Ferguson

This article analyzes patterns of GOP campaign finance with an eye to the light they can shed on the future of the Bush administration. After flashing back to 1980 and 1984, it presents a detailed statistical breakdown of who contributed to whom in the 1988 GOP primary, based on a large and carefully constructed sample of top corporate executives and investors. The Dole campaign emerges as especially important for the clues it provides about the opponents of major changes in U.S. policy toward Eastern Europe and the USSR.

In the fall of 1989, as the trees pass from green to gold and long columns of birds twist southward in the ever paler sunlight, the George Bush administration still appears to be enjoying an exquisite Indian summer. The president's Gallup polls are high — far higher than Ronald Reagan's at this stage of his first term. The stock market has broken all records. The press, especially the networks, has been kind, amiably losing interest in Iran-contra, the slow pace of appointments, and the spring flap with the Europeans over weapons modernization and arms control. And a thick black cloud of scandal continues to engulf congressional Democrats, all but obscuring Republican transgressions at HUD and elsewhere.

Beneath the calm, however, undercurrents of anxiety are everywhere detectable. The possibility that even a mild recession could turn into the long dreaded "hard landing" of the economy alarms many, regardless of their political persuasion or the value of the junk bonds in their portfolios. Almost every informed observer believes that the eventual cost of the savings and loan bailout will be far greater than the administration now admits, while all scoff at the possibility that the budget targets mandated by Gramm-Rudman for 1990 and 1991 can be met.

There is more. As jails fill literally to overflowing, the administration's newly proclaimed war on drugs eerily recalls the early days of another war that the government tried to win on the cheap by emphasizing force and neglecting controlling, but more elusive, social factors. Conflict over defense spending is intensifying as Congress and the Defense establishment try to pick and choose among weapons systems. And lost in the avalanche

Thomas Ferguson is professor of political science and senior associate, McCormack Institute of Public Affairs, at the University of Massachusetts at Boston.

of publicity about Mikhail Gorbachev and Eastern Europe is the plain fact that support is also ebbing in Japan, West Germany, and even in Great Britain for conservative regimes long allied with the United States; that Latin America teeters on the edge of chaos; and that a whole new "arc of crisis," which stretches from Pakistan through Burma and Korea to the Philippines, is emerging — a circumstance that will not disappear even if the Cold War does.

Not surprisingly, last year's Democratic campaign rhetoric, like the Daniel Quayle jokes, no longer amuses. If not now, then sometime soon, many people around the globe are likely to start wondering "Where's George?" and debating how best to read the mind of the man who told everyone to read his lips.

Save for the fortunate few sufficiently affluent to afford to purchase the expensive services of a Washington "insider," most will not find this problem easy to solve. The administration's exiguous track record thus far sheds comparatively little light on its likely behavior in a crunch. Nor are the abundant press accounts of puppies, golf, the president's relations with Kennebunkport lobstermen, or how he relates to the family we all now recognize as "strong" likely to prove helpful.

How then can one forecast what the administration might do?

A perfectly sensible answer exists to this question, which this article proposes to explore. All through the 1980s, the Federal Election Commission has been piling up data on campaign contributions to candidates of both major parties. This data is certainly incomplete, but, in contrast to most speculations in the press and the social sciences, it provides real information that is quite independent of anyone's particular political views or theories.

Accordingly, relying on methods developed in earlier essays, this article attempts to combine data on the campaign contributions of top investors — the heads of the largest companies and principal Wall Street firms, the Forbes 400 richest Americans, and so forth — with economic theory and what is known about the pattern of corporate support in the 1980 and 1984 elections to produce a kind of X ray of the new administration's principal corporate political constituencies. By attending carefully to what each believes to be its interest and judging as best one can whether any is apt to get its way, one is likely to do far better at forecasting the future of the Bush administration than, for example, by trying to read the mind of an electorate that in off-year elections has now dwindled in many parts of the United States to below the levels of 1798, when property suffrage restrictions were commonly in force.[1]

It is convenient to begin by casting a glance back to 1981, the heady days communicants now celebrate as the "Reagan Revolution's" heroic period, for the divisions that surfaced within the business community during the 1988 election follow immediately from the policy dilemmas created by the decisions taken then.

At that time, the height of what might be termed the laissez-faire revival, the incoming Republican administration sought sweeping changes in both American society and the world order. In the name of restoring domestic economic growth, it sought major cuts in taxes on high incomes and corporations, rollbacks in environmental and safety regulations promulgated in the 1970s, major reductions in federal ownership and spending, and a broad deregulation of the economy, including major changes in the administration of the National Labor Relations Board (NLRB).

Its ambitions, however, did not stop at the water's edge. It planned not only to make America, but the world, safe for free enterprise (which it identified with "economic growth" *tout court*). To reverse what it claimed was a decline in American power around the globe, the administration commenced the largest military buildup in history, with a particular focus on the navy. It heated up the Cold War, pressuring Europe and Japan to rearm and restrict exports to the Soviet bloc. It also sought to roll back the tide of state-owned enterprise in the Third World and to pressure other countries to deregulate their own markets, especially in finance. And it aggressively intervened in various Third World trouble spots in favor of regimes it preferred.[2]

The almost millenarian frenzy with which the administration approached these Sisyphean labors in its early days invited analysts, friends and critics alike, to view it as a political formation sui generis. Critics, in particular, tended to treat Reaganism as the political program of a newly unified business community.

For a few months of 1980-1981 this line of thought is not misleading. A global analysis of Reaganism in these terms, however, invites serious misunderstanding. It makes it impossible to understand the dynamics of the two Reagan terms — with the abrupt switch toward détente and interallied (G5 or G7, depending on the number of consulting countries) economic cooperation during the second term — or to analyze the forces now bearing on the Bush administration.

The truth is that the Reagan coalition always had a huge seam running down its middle. That seam, in the last analysis, the ineluctable consequence of living in the world economy that we do, divided the Reagan camp into two distinct blocs, each of which, in turn, was crisscrossed by other seams too complicated to discuss now. The policies of the Reagan administration served, or appeared to serve, the interests of major parts of both. Each, however, had a somewhat different interpretation of what it thought was really happening, and they basically disagreed about where the policies were supposed to lead. In effect, the Reagan Revolution was a giant banner under which two columns marched in different directions.

The first "bloc" (one almost hesitates to employ the expression, since this group, in sharp contrast to the second, exists largely in a reactive mode, defined preeminently by what it opposes, and since the 1930s, when it lost its dominant position in American society, has never succeeded in articulating a well-developed alterative point of view) might be referred to as the "protectionist" bloc.

As the label suggests, this bloc, centered in old industries long tied to the GOP, like textiles or steel, saw the Reagan Revolution largely as political and economic Alka-Seltzer: relief — from imports, from labor, from hated government regulators, and, perhaps, from endlessly menacing Communists — was only a jubilant swallow away.

In sharp contrast the second bloc, or more precisely, its leading spokespersons, who set the tone for the rest, were thinking far more expansively (and they were indeed thinking, in the sense that all through this period they were making major investments in policy-oriented research published through a wide variety of think tanks and research institutions).

To sum up the views of this second "multinational" bloc in a few pithy sentences inevitably invites caricature and risks exaggerating the degree of centralization and consensus within it. Nevertheless, with due allowance for these pitfalls, its thinking can be not inaccurately analyzed as the polar opposite of the fashionable "imperial overextension" critique of Reaganism brought to public attention most forcibly by Yale historian Paul Kennedy in his *Rise and Fall of the Great Powers*.[3]

It is not that the business leaders — organized in such groups as the Committee for the Present Danger — who in 1980 were calling for a six-hundred-ship navy, worldwide "horizontal escalation" in the event of war with the Soviet Union, major new weapons modernization programs, and an end to the "Vietnam syndrome" — necessarily shrank from analogies with the Dutch, French, or British empires. It is that they saw — and, with some qualifications, continue to see — the comparison differently.

In their view, the overriding issue in the world was whether the three great economic areas — the Pacific Rim, the Americas, and Western Europe — were going to develop "cooperatively" into one essentially "worldwide" multinational market, or whether these areas would go their own way, probably under the influence of a regional hegemony. The way this issue was resolved would shape development in the Third World and, in the long run, perhaps even the Second.

From this standpoint the vast American expenditures on military force and foreign aid that critics of imperial overextension fear will bankrupt the United States actually represented major investments — in free trade and an integrated world economy committed to a dollar standard.

Not only would these investments help stabilize the Third World, and thus lower the target rate of return a multinational required before deciding to invest, but the military buildup, in addition, was a vital U.S. bargaining chip with the other major Allied governments. Only the United States could afford the fabulous costs of the guarantees, both conventional and nuclear, that, in a deep sense, provided the social overhead capital for the postwar recoveries of Japan and Western Europe. And only the United States could project enough force into the Middle East to protect the oil supplies of the Allies.

As long as the United States maintained its military dominance, therefore, European governments had little incentive to try to go their own way, and many reasons to cooperate. So did the Japanese, a fact that by 1980 had become of towering significance to many American businesses, which were increasingly convinced that exclusion from the Pacific implied banishment from the next century's fastest-growing region.

In the late seventies, after the West German refusal to reflate in tandem with the United States and Japan wrecked the Bonn summit, most members of the second bloc — which included multinational manufacturers and financiers, but many exporters, high-tech firms, oil companies, and weapons producers as well — became convinced that only dramatic (albeit temporary, for the eventual policy aim remained cooperation) unilateral action by the United States could break the economic deadlock that was developing in the "Triad" (today's buzzword) or "Trilateral" (yesterday's) world and avert the drift toward state-owned enterprises in the Third World. With increasing talk of repricing internationally traded raw materials (read oil) in another currency as U.S. rates of inflation raced ahead and the dollar depreciated, these businessmen — and increasingly -women — also became convinced that only truly Draconian monetary policies could end inflation and save the dollar.

The atmosphere of intensifying crisis enormously advantaged the only political party for which massive social expenditure cuts were thinkable: the GOP. Multinationals that had been perfectly prepared to support Democrats during the New Deal era abruptly cut off their support or intensified their commitments to Republicans. So, at the same time, did the traditional protectionist bloc. Not surprisingly, the first result was confusion, as all sorts of "new right," "old right," and "neoconservative" cultural and political entrepreneurs competed to tap the rivers of cash that rapidly began flowing.

Under the inflexible pressure of political deadlines, however, a more or less articulate compromise emerged within the Republican party. Candidate Reagan struck a formal agreement with Senator Strom Thurmond on behalf of the textile industry and appears to have made promises to several other industries, including steel, while publicly trumpeting the merits of free trade. The prospective general revision of General Agreement on Tariffs and Trades (GATT) ardently desired by the free traders was put off until after the administration had had some time to force restructuring on the rest of the world, while powerful industries were promised piecemeal protection in the meantime.[4]

By temporarily removing the divisive trade issue from the agenda, this deal — which, it should probably be noted, was struck by Ronald Reagan rather than George Bush, the first choice of many multinationalists in the Eastern Establishment — opened the way for the Golden Horde that financed the GOP's sweeping triumph in the fall of 1980. Once the decision to raise interest rates was taken by Paul Volcker during the Carter administration, for example, what multinational would object to domestic restructuring? And as they contemplated the promised import relief, what protectionist would object to a new Cold War?

From this vantage point it is easy to see the logic that drove the Reagan administration first to forswear G5 cooperation and noisily to denounce the "evil empire," and then, in early 1985, as James Baker took over at Treasury, dramatically to reverse both policies.

As it came to power the administration faced a set of decisions that could easily split its coalition apart. Not surprisingly, it moved very cautiously. To the disgust of Secretary of State Alexander Haig, it declined to make a major issue of Central America at that time. To the dismay of social conservatives, it famously placed social issues on the back burner.

The Reagan administration concentrated instead on economic issues that sent broad rivers of cash flowing to all its supporters in the business community: the military buildup, deregulation, personnel changes at the NLRB, and the centerpiece of its economic program, the famous tax cuts. After some fits and starts (the administration's earliest economic projections rejected the advice that Herbert Stein, Walter Wriston, and other analysts were giving it not to make the usual ritual promise to avoid fighting inflation by means of unemployment, and envisioned only a short recession), the Reagan administration fell in line with Volcker's high-interest-rate policies.

The result, from the administration's standpoint, was a series of striking successes. Along with its new labor policies and deregulation, the high interest rates triggered a sweeping reorganization of the work force. Unions lost ground and wage growth slowed as many firms took advantage of the huge rise in unemployment to make major cuts in staffing and changes in work rules. As other central banks transmitted the interest rate rises to their countries — and, pushed by the Reagan administration, promoted deregulation of their own economies — a worldwide movement toward laissez faire gained steam. The growing climate of austerity, in turn, encouraged further cuts in social spending and taxes everywhere, while the rise in the dollar reestablished its position as the world's currency and started an export boom in Europe and Japan that helped undo the damage caused by the evil-empire rhetoric.

The policies, however, could not be sustained forever. The price of the interest-rate rise was the deepest recession of the postwar era. In the Third World growth ceased absolutely, while in the United States imports flooded in and business bankruptcies mounted, bringing friction with Japan and calls for import relief. Although they went along with the intermediate nuclear forces (INF) deployment, Europeans resented the administration's efforts to discourage business with the Soviets. And, as it seems clearly to have foreseen, the administration failed to get enough spending cuts to offset the tax reductions, leading to an enormous rise in the budget deficit.

Political opposition emerged on both the left and the right. On the "left" (the term is highly relative: the reference is to the differences within the business community), the Democrats revived. A breakdown of 1984 Democratic campaign financing, done along lines of that presented for 1988 below, shows clearly how real estate interests in (primarily) the Northeast and Midwest moved to defend federal grants for urban infrastructure and mass transit from the burgeoning claims of the defense budget. (Statistical tests showed the real estate bloc, but not the other industries that also featured high levels of Democratic contributions, supported only liberals, precisely what one would expect if competing claims on the budget were the issue.)[5] As the deficit mounted, many investment bankers — and some insurance industry figures — joined them.[6]

On the right Jack Kemp emerged as a champion of a "supply side" economics that was essentially Reaganomics with low interest rates. For business its key claim was that if interest rates were pushed low enough, the United States could grow its way out of the deficits without any new taxes.

How the administration rode out this heavy weather bears close analysis for the light it can shed on what a Bush administration might do. To defuse protectionist sentiments it deployed a three-pronged strategy: to the biggest and most powerful industries, notably steel and automobiles, it afforded continued piecemeal protection. To agriculture and some exporters it offered limited export subsidies, either in the form of direct loans or, in the case of some high-tech industries, funds for basic research. Finally, it pressed other countries, particularly in East Asia, to open their markets to American products.

Faced with the need to hold together two blocs pulling in different directions, the administration also made a set of fundamental choices on the deficit. Because the tax cuts were so attractive to both blocs, but particularly to the protectionists, who were, after all, fated to be submerged in the long run, they provided the perfect issue over which to make a stand. Still hoping that ballooning deficits would eventually force spending cuts, the administration proceeded, loudly and publicly, to draw a line in the sand.

To finance the deficits in the meantime, the administration devised a two-track strategy. First it accepted "revenue enhancements" that did not threaten the sacrosanct position of the top brackets, including a steep rise in highly regressive Social Security taxes, which over time would close most of the deficit. Then, in a truly momentous decision, it elected to let foreign capital finance the deficit.

From the standpoint of the multinational bloc as a whole, this move had a compelling logic. By worldwide standards, direct investment in the American economy was quite low. Direct investment, in sharp contrast to portfolio investment, is reasonably stable. Here, accordingly, was a chance to square the circle. Provided no one moved to prohibit foreign takeovers, capital could flow into the United States for years. As it did, it would support the dollar while helping mightily to finance both the trade and the government deficits. At the same time it would create a more powerful lobby in the United States in favor of free trade and an integrated world economy, while also giving major foreign interests compelling reasons to let U.S. multinationals continue operating in their home territory.

As interest rates fell in the wake of the Mexican debt rescue and defense spending began to pull the economy out of its slump in classic Keynesian fashion, the administration had the satisfaction of watching its new policies pay off. The economic revival and foreign buying led to a tremendous boom in the stock market. The new wave of mergers and takeovers, in turn, further restructured industry while creating a substantial number of new fortunes in finance and commodities markets with a stake in Reaganomics.

The boom — an ingredient of the largest political business cycle since the Great Depression — carried the administration safely through the 1984 elections. The continued strength of the dollar, however, fueled protectionist sentiment, further inflaming relations with Japan and the Asian newly industrialized countries. By early 1985 it was obvious that something had to be done or the whole postwar structure of multinational trade might unravel as the U.S. Congress moved to retaliate.

The administration moved on several fronts at once. First it added wrinkles to the strategy it had employed for defusing relations with Japan in 1983–1984. It pressed the Japanese to open markets for a handful of the most impatient sectors, whose support it was counting on to head off a protectionist upsurge, including telecommunications, electronics, forest products, medical instruments, and pharmaceuticals.

Next, as an alternative to "industrial policy," the administration joined many Republican big-business leaders in talking up "competitiveness," that is, the notion that improved macropolicy and some broad structural changes (such as improvements in education) that involved little direct market intervention might alleviate the overseas challenge.

Then, largely through the Pentagon (but mostly outside "Star Wars"), where by a miracle of nomenclature "defense"-related production direction is not reckoned as a violation of the principles of free enterprise, it announced a spectacular program of subsidies, again mostly to "swing" industries dominated by multinationals in, or potentially in, the coalition. Among these projects, which continued to be announced as Bush geared up to run for the presidency, were a $4 billion supercollider project, a five-year, $1.7 billion program in computing, a dramatic new "superconductor" initiative, contracts for a fabulously expensive space station (the announcement called attention to the benefits the project would produce for the pharmaceutical and electronic industries), "Sematech," a joint venture between the government and high-tech companies, as well as other initiatives in robotics, computer-aided manufacturing, and materials science.

While the administration was taking these little-publicized moves that might in time transform the Pentagon into an American Ministry of International Trade and Industry, it moved at last to bring the dollar down.

With Baker at the Treasury, a new and more delicate phase of relations with the Allies, which leads directly to the policy dilemmas George Bush faces, began. In effect the administration was seeking what might be termed a "gentler, kinder" dollar decline. For this to happen, the cooperation of the Allies, particularly Japan and West Germany, was essential. Specifically, if the dollar were to decline, thus reducing the imbalance in the U.S. current account, the Japanese and Germans would not only have to agree to let their export surpluses shrink, they would also have to expand their domestic economies to avoid a decline in total world demand. They would, in addition, have to cooperate in guarding the relative exchange rates of the major currencies, or there would be massive flight from the dollar.

Neither country was eager to do any of this. Both had grown rich in the postwar period by pursuing strategies of export-led growth, and both feared that an expansion of internal demand might well disequilibrate carefully struck balances of power between labor and management.

Baker, however, had several strong incentives of his own. First, in the background there remained always the United States' trump card, its overwhelming comparative advantage in defense. By pushing the Allies to do more — or sometimes by upping the ante of what "security" required — the United States could exercise real leverage by threatening to raise costs on them.

Second, there was Baker's well-advertised policy of negotiating bilateral trade treaties with particular countries, the most significant of these being the recent agreement with

Canada. By suggesting that the United States might go it alone with a handful of carefully selected partners, these deals acted as a check on Allied intransigence.

In the end, however, Baker's most potent threat proved to be the simplest: the United States could just threaten to let the exchange rate drop unilaterally if the Allies would not agree to an orderly decline. Though in October 1987 this strategy of brinkmanship took the world to the edge of the abyss, when Baker and other Treasury officials publicly admonished the Germans for provoking an upcoming fall in the dollar and crash in the market, in the end it worked. After bitter internal debates, Japan expanded internal demand substantially and dismantled a few trade barriers. Germany also made rather feebler efforts to expand. The dollar continued coming down until the summer of 1988, as foreign central banks built up massive dollar reserves, in effect subsidizing (as several acute critics noted) a vigorous political business cycle for Bush to run on.[7]

Animated not only by its growing concern for Allied harmony, but also by the unyielding pressures of the budget deficit and plain fact that if the United States would not sell to the USSR, the West Germans would, the administration abandoned its strident anti-Soviet posture. Led by new Commerce Secretary William Verity, food companies, capital goods exporters, and several business organizations, the administration began to explore avenues for increasing trade. It also, of course, negotiated the INF accord and a Soviet withdrawal from Afghanistan.

In electoral terms there can scarcely be any question that the policy package Bush and Baker were gradually fashioning for the vice president to run on — peace and prosperity — was highly plausible, particularly if one refrained from asking awkward questions about the long run. As an early *Fortune* poll of top executives indicated, and the astonishingly high level of contributions revealed in my statistical study confirms, their agenda commanded the loyalty of most main-line multinationals.[8]

But multinationals — and Allied financiers — are far from the only business groups active in the GOP. Moreover, major veins of dissatisfaction existed within the multinational bloc itself, particularly in regard to détente.

As the 1988 campaign approached, ominous signs of dissatisfaction began to appear on the right of the GOP. Congressman Jack Kemp, who during most of President Reagan's tenure in office had usually been counted Bush's strongest prospective opponent for the nomination, stridently denounced the INF treaty and began running furiously against détente and the "sellout" of freedom fighters around the globe.

Donald Rumsfeld, once Gerald Ford's hawkish secretary of Defense and then CEO of G.D. Searle, a large pharmaceutical concern, began scouting a run, also looking rightward. So did another card-carrying multinational Cold Warrior, Alexander Haig.

Pierre du Pont, a onetime moderate Republican governor of Delaware, announced on a platform that would have warmed the heart of the elder Pierre du Pont, who as head of the family's chemical company during the New Deal was one of FDR's sharpest critics. Televangelist Pat Robertson also declared on a platform that on defense and many other topics was well to the right of Attila the Hun. And to the surprise of practically everyone who does not closely follow the political economy of the GOP, Senator Robert Dole finally came down well to the Bush campaign's right.

Not all these candidates were equally formidable. Kemp, for example, was strongly identified as the partisan of supply-side economics. In years past he had also drawn important supporters from aerospace and defense — enterprises for which the deficit functions first of all as an entry in the profits column and which would certainly not be put off by Kemp's insistence that détente was a dangerous illusion. But as earlier observed, the practical meaning of supply-side doctrines for the average business was lower interest rates. By early 1988, however, Baker had been bringing the dollar down for almost three years. With exports booming and the economy beginning to bump up against what most business economists reckoned was full capacity (whatever the numbers of discouraged workers who no longer figured in the unemployment statistics), what was the point of a new monetary experiment? And despite the intraparty row over détente, the vice president was obviously a plausible standard-bearer for defense in the fall campaign against the Democrats.

Not surprisingly, few of the Republican business leaders who had in years past been attracted to Kemp's "exciting new ideas" were still excited by them. When Kemp unfurled the banner of aggressive free enterprise, only a comparative handful of deregulation enthusiasts, such as Dow Chemical's Paul Oreffice, along with a fair number of political action committees or executives from savings banks, utilities, and transportation (Table 1), a few defense contractors (such as Martin Marietta's Thomas Pownall) faithful to the end, and anointed keepers of the supply-side flame (including, for example, Lewis Lehrman and a tiny knot of developers probably attracted by the future Housing and Urban Development secretary's emphasis on "enterprise zones") saluted. The rest, sometimes after pausing respectfully, moved on.[9]

Table 1

Industries in Which Particular Republicans Did Well

(The universe of comparison is all Republican contributors.)

Bush (N = 436; 69%)
- Oil (0.11)
- Computers (0.06)*
- Investment banking (0.13)
- Utilities (0.13)*

Dupont (N = 112; 18%)
- Chemicals (0.01)
- Commercial banking (0.01)*
- Investment banking (0.01)

Haig (N = 13; 2%)
- Aircraft (0.01)*
- MNCO-MIC (0.07)*
- Real estate (0.15)*

Dole (N = 324; 51%)
- Services (0.10)
- Real estate (0.06)
- Insurance (0.01)
- Investment banking (0.02)
- Autos (0.15)
- MNCO-MIC (0.01)
- Private hospitals (0.15)

Kemp (N = 60; 10%
- Utilities (0.16)*
- Savings banks (0.16)*
- Transportation (0.12)*
- Beverages (0.01)*
- Real estate (0.05)*

Numbers in parentheses are significance levels, *not* strength; they indicate only positive differences from each candidate's average industry appeal.

*Expected value in cell of chi-square less than 5; warns that power of test is low.

Source: Based on FEC data; see text.

Du Pont, in all probability, really had his eye on either the vice presidency or on 1992 or 1996. Save for the press, which kept hailing his iconoclasm and "courage" in tackling the sacred cows of farm subsidies and Social Security, the family circle, which includes a dazzling number of the Forbes 400 wealthiest Americans who, because they are concentrated in one industry, skew Table 1's portrait of the chemical industry, and a surprising number of top financiers and bank executives who, as the people most concerned with the future of the dollar in the 1990s, were perhaps making small votive offerings in honor of the "courage," he failed to attract much support from business, or anyone else.

Neither did Haig, whose appeal as a right-wing internationalist overlapped that of the later Dole or du Pont, but who also had to live down a reputation as an unguided missile. (Perhaps appropriately, the aircraft industry and a specially defined bloc of superhawks discussed below in reference to the Dole campaign backed him compared to other Republicans at a statistically significant level.)[10] Rumsfeld, after contemplating what it costs to run for president, thriftily called off his effort, as did Nevada Senator Paul Laxalt.

And Pat Robertson's campaign, for which the media and many scholars had been predicting a heavenly future, staggered under two deadly blows. First came the collapse of oil prices, which badly hurt some of his major financial backers, like Nelson Bunker Hunt, in the sector that had over the years probably invested more in fundamentalist politics than any other. The coup de grace to it as a serious national threat, as distinct from annoying party presence, came with the disastrous news, retailed for days with ill-concealed glee by three big multinationals called ABC, NBC, and CBS, of apparent devilish doings in Charlotte, North Carolina, by Jim and Tammy Faye Bakker, and an unorthodox form of witness practiced in Louisiana motels by the Reverend Jimmy Swaggert.

That left Dole as the person with the best chance of stopping Bush. As all the world knows, he came within a hair of doing precisely that. Because of the light it sheds on the potential opposition the Bush presidency now faces, it is exceedingly instructive to see how he did it.

It is possible that a few people who eventually hopped on the bandwagon did so simply because they believed that Dole might run a stronger race than Bush, who was then viewed by many in his party the way many Democrats now regard Michael Dukakis. Such cases, however, should be scattered randomly, not concentrated in particular sectors — and certainly not in sectors in which prominent industrialists are openly campaigning for one or another particular issue. Though my data is not perfectly adapted for this task, it is easy to show statistically that while Dole and Bush did have partially overlapping appeals, Dole very clearly succeeded in tapping sectors (and parts of sectors) with a plausible grievance against Bush.[11]

Dole's initial campaign impressions, for example, derived mostly from the record he had compiled as Senate Republican leader. In that role he had pressed hard on the deficit, much harder than Bush. Indeed, as Table 1 shows, among Republican contributors Dole's appeal to investment bankers and insurance executives — sellers and buyers, respectively, of long-term bonds, as Democratic candidates know so well — stands out compared with Bush's. (For both candidates, statistical tests of significance suggest each had above-average support from investment bankers, but the results for Dole are impressive, while the results for Bush are borderline.)

As he kicked off his campaign, he was also known as a friend of Israel, whereas Bush's credentials on that score, while scarcely negligible, were suspect in some quarters. His campaign contribution list also suggests a certain closeness with the commodities markets (though here Bush and Baker were not idle: it is surely no accident that Treasury Secretary Nicholas Brady has yet to move on his own report on the Crash, which recommended reining in Chicago) and Dole was in any event a hero to large export-oriented farmers. The veteran member of the Senate Finance Committee also seems to have attracted support from some private hospital chains and parts of the service industry.

All this, however, provided a rather narrow base. Dole tried developing the deficit issue into a call for "burden sharing" by the European Allies (by which he appears to have envisioned fewer cuts in U.S. defense expenditures rather than a more rapid European rise in the future). This would have freed up resources for some domestic spending, which

Dole several times pointedly observed had been neglected under Reagan, and Table 1 suggests that some real estate magnates either got (or more likely, sent) the message. But the rest of the business community hung back. For all the talk about how the compassionate, yet fiscally responsible Dole would make a stronger candidate against the Democrats, the plain fact was that Bush's campaign was rolling ahead.

After hesitating almost interminably, Dole made a fateful choice. In a complex maneuver, in which he came out for the INF treaty but positioned himself as a stern critic of the other treaties the administration was talking up, he joined with the right and center-right opponents of détente. He also spoke out strongly on the importance of the American position in the Persian Gulf.

The result was a political coalition that leaves little trace in my regular industry analysis, but which shows up spectacularly when one defines a very special universe of comparison: the largest (all those among the top 20 industrials on the 1987 *Fortune* list) multinational oil companies except Occidental and Chevron (which both have major deals in progress with the USSR) plus the subset of firms in the aircraft industry whose principal business is producing major warplanes and missiles. This "industry" (or better, world historical force), shown in the table as the MNCO-MIC — Multinational Oil–Military-Industrial Complex — bloc, swung massively for Dole.[12]

As Dole rushed in on Bush, top executives or political action committees of companies such as Lockheed, General Dynamics, Northrup, and Rockwell all contributed. Henry Kissinger, the living incarnation of prudent multinational skepticism about détente, began to confer with him.[13] A remarkable number of executives from big multinational oil concerns also began donating. It is doubtful that oil-policy differences between the candidates accounted for this. Bush and Dole did not differ greatly in regard to that policy, though as the race heated up Dole made some halfhearted and not particularly convincing noises about an oil tariff, which many independents, but not most majors, supported. Along with gold, however, oil and natural gas are the principal balancing items in East-West trade. Many Europeans, indeed, take it for granted that the primary limit on how much they can sell the Soviets in the short run is how much gas Moscow can sell back to them. With oil prices already down, it is unlikely that most major oil companies not involved in deals with the Soviets relish the prospect of large-scale sales into the West any more than they did in the 1920s or 1950s, when this issue spurred major agitation in the industry.

Preston Tisch, the brother and close business associate of Lawrence Tisch, who had recently acquired CBS, resigned as postmaster general, returned to CBS, and declared for Dole.[14] Then, as the center-right criticism of Bush reached a crescendo just ahead of the Iowa primary, Dan Rather, who had previously created a stir by briefly slipping into Afghanistan, conducted a highly publicized interview with George Bush about his role in the Iran-contra affair.

Though analysts debated who won that exchange, no one disputed that Dole defeated Bush in Iowa, or, as Haig, Rumsfeld, and other multinational Cold Warriors came out for him, that he seemed on the verge of knocking the vice president out of the race. In New Hampshire, however, the Bush forces were led by Governor John Sununu who, like Bush himself, was an ardent proponent of nuclear power (witness Table 1's suggestion about the utilities)[15] and the licensing of the controversial Seabrook, New Hampshire, nuclear plant. Sununu, whose political rise began with the encouragement of a lobbyist for Westinghouse,[16] had taken great care to organize the state. Aided by enormous infusions of cash, Bush's campaign eked out victory there.

As the campaign headed south, Dole tried a classic maneuver. At least three times in the past twenty years, a right-wing candidate confronting a strong free trader has cemented the alliance of the center with the right by explicit commitments to textiles and other protectionist industrial sectors. Dole came out in public for protection. As top executives from Bethlehem and USX, the automobile industry, some figures from the electronics industry almost certainly worried about the Japanese, and prominent textile leaders, including Roger Milliken (a prominent advocate of "buy American" policies) contributed to his campaign, Dole struck a formal arrangement — like Richard Nixon and Ronald Reagan before him — with South Carolina Senator Strom Thurmond, a longtime champion of the textile industry.[17]

Now, however, the devastating long-term effects of the high dollar (and the benefits to the free traders of the administration's decision to postpone major legislation at the time Reagan's coalition came together) showed. After seven years of imports, and gradual transformation of the southern industrial structure from a heavy reliance on textiles to finance, services, and electronics, along with a few examples of successful textile restructuring, the old southern protectionist industrial base was hollowed out. This time Thurmond couldn't deliver. The Bush machine's multinational juggernaut rolled over Dole, effectively destroying his candidacy. It also flattened Pat Robertson, who, too, had made a strong protectionist appeal and whose candidacy had been badly, perhaps fatally, hurt by the oil price collapse, which had greatly limited efforts on his behalf by Bunker Hunt and other southwestern supporters.

Being Right and President

An analysis of the sort presented here is a less than perfect substitute for a reliable crystal ball and cannot hope to answer every possible query about the new administration's likely course. Whether Vice President Daniel Quayle will be allowed out trick-or-treating on Halloween, for example, is simply imponderable. We will just have to wait and see.

But it does allow one to see right through some of the most common postelection speculations. In the first days of the new administration, for example, the press ran riot with speculation about a major collision between the United States and Japan over decisions to build the FSX, to designate Japan as an "unfair" competitor under the "super 301" provisions of the new trade bill, and other issues. The decision by the European Economic Community to (attempt to) unify its domestic market by 1992 is also being built up as an almost cliff-hanging drama involving confrontations with both the United States and Japan.

The analysis here strongly indicates that these fears are vastly overdrawn. Strong conflicts of interest certainly exist between the United States, Japan, and Europe, and they will put their stamp on the politics of all three in the years to come. It is also possible that if world income fell sharply (the scenario that currently alarms most policymakers begins with a sudden collapse of the Tokyo stock exchange), a major breach might open within what used to be called the Western alliance. But considering the clearly transnational objectives of the political coalition that elected George Bush, for example, his administration is about as likely to abandon G7 cooperation, the long-run goal of dollar stability (at, to be sure, a somewhat lower rate in the long run than today's), or global free trade as it is to usher in an American version of Solidarity. Global economic integration is what the bloc that brought him to power is all about.

At the same time the West Germans in particular are likely to reflate less than the administration desires, so that if Martin Feldstein, with his constant talk of exchange rate unilateralism, did not exist, the administration would have to invent him — as, very likely, it has. On the other hand, the administration and the Fed are clearly worried that a rise in the inflation rate would undermine dollar stability. They are also convinced that the U.S. economy, while showing clear signs of a slowdown, is still operating near capacity. In these circumstances, the last thing they think they need now is many more exports. Thus they have no incentive to push the dollar far down in the near future, as some critics have advocated.

In regard to the right wing of the GOP, the situation is very complex. After his sweep of the southern primaries, Bush owes nothing to most protectionists (an exception is the steel industry, to which he had to make a public commitment during the general election, and probably automobiles), so that many older industries particularly are apt to find a Bush administration harder to deal with than Reagan's. Also, so many American industries are under pressure from Japan, there is no chance that the Bush administration can simply stand on the principle of free trade. One suspects that with the newer industries, which even many multinationalists believe have to be preserved in some form, the Bush administration will go as far down the subsidy road that the Reagan administration took in its second term as the budget deficit will allow.

In regard to that deficit, it is fairly easy to predict what the administration will do, though it flies in the face of many conventional expectations. While far-right business groups are less important to the Bush coalition than they were to Reagan's, the administration has little to gain by allowing its broad GOP coalition to break up. Bush has every reason, therefore, to continue dramatizing his credentials as a true Reaganite. The easiest and most convincing way by far for him to do this is to hold fast to the tried-and-true Reagan formula that was used in previous years to solve essentially the same problem: no new taxes. For this to stick given the budget pressures, however, the administration will have to turn a deaf ear to protests about the growing role of foreign capital in the economy and guarantee a steady inflow of capital through G7 cooperation (particularly with Japan) and no restrictions on foreign takeovers. It may also have to accept further "revenue enhancements" that do not encumber the top brackets, and it must succeed in its high-wire act of lowering the economy's rate of growth while avoiding a recession.

My analysis of the Dole challenge, however, points to a final aspect of the Bush administration's policy that is as momentous as it is unheralded. On one hand, the flap over John Tower's appointment as secretary of Defense and recurrent procurement controversies indicate that the administration is prepared to nod to reality and rein in the rate of growth of defense spending. Bush and Baker from time to time have also made friendly noises toward Gorbachev, as if backhandedly to acknowledge that the present Soviet leadership is truly distinctive and really striving to implement policy changes that are very much in the interests of the United States and, indeed, the entire world.

This part of the administration's line resembles Bush's retorts to Dole and other Republican critics during the primaries. The meliorist perspective, however, ill comports with the steady stream of "Cold War is not yet over" talk from Defense Secretary Richard Cheney and many other commentators within and around the administration. More ominously, however, it has not appeared to inspire the administration's concrete foreign policy actions.

That was most obvious in the late spring fiasco with the West Germans over the modernization of NATO's short-range missiles. But the administration has also taken its time preparing its negotiating posture in regard to talks on both strategic weapons and European conventional disarmament. Earlier allusions to rapid repeal of Jackson-Vanik restrictions on U.S.-Soviet trade have mysteriously faded, while predictions of major Western loans to the Eastern bloc, including the USSR (which will almost certainly require financing to cover imports of consumer goods if perestroika is to have running room) have yet to come true.[18] The Bush administration is also clearly walking away from Poland, and perhaps from other Eastern European countries, and it is divided over whether to support Soviet and Chinese admission to GATT.

A good-willed observer might attribute this pattern of inaction to confusion or bureaucratic delays. Alas, my statistical evidence about Dole's support in the primaries indicates otherwise. The plain fact is that despite détente's ionospheric ratings in the Gallup poll, leading parts of American multinational business and the military are strongly opposed. Once the Bush campaign decided to reach out to Dole's supporters — symbolized before the election by Bush's postconvention rhetoric, when he sounded like Dole, and more important, by the award after the election of the number two position in the State Department to Lawrence Eagleberger, a literal representative of Kissinger Associates — it virtually guaranteed the paralysis that first showed during the highly touted spring policy review of East-West issues, which persists.

Because the pressures of the budget deficit, other American multinationals and capital goods exporters, and many Europeans, especially the Germans (who have by far the most to lose) will be insistent, the administration may finally bend. But it would be rash to underestimate the pressures to stand aside and watch Gorbachev go down (an eventuality that could perhaps be hastened by public predictions of just such an occurrence by leading administration spokespersons) — Dole, after all, almost defeated an incumbent vice president. So while the Bush administration may finally embark on a "speak loudly and carry a small stick" policy designed to mask the departures from the early years of the Reagan era, the current situation, I fear, contains the seeds of a policy failure of historic proportions.

Notes

1. It is a pleasure to acknowledge special debts to Walter Dean Burnham, Bruce Cumings, John Geer, David Hale, Robert Johnson, Michael Kagay, Stanley Kelley, James Kurth, Ben Page, Alain Parguez, Rick Pullen, and Sherle Schwendiger for discussions on various points of substance; to Erik Devereux, John Havens, and particularly Goresh Hosangady for invaluable assistance with the statistics, and to the editor and referees of this journal for other helpful advice.

   On the use of FEC data in analyzing American elections, see my "Party Realignment and American Industrial Structure: The Investment Theory of Political Parties in Historical Perspective," in P. Zarembka, ed., *Research in Political Economy*, vol. 6 (Greenwich, Conn.: JAI Press, 1983) and the statistical appendix to Thomas Ferguson and Joel Rogers, *Right Turn: The Decline of the Democrats and the Future of American Politics* (New York: Hill and Wang, 1986). The statistical techniques and data presented below generally follow *Right Turn*, but those who want more details may consult my "Parties by Invitation Only: Industrial Structure and Party Competition in the 1988 Election," *Socialist Review*, forthcoming, Fall 1989. That article also briefly considers the voting results, from which this abstracts by design.

2. Much of what follows is discussed at length in many works on Reagan, including Ferguson and Rogers, *Right Turn*, chapter 3, and my "Who Bought Bush, and Why," *International Economy*, January–February 1989, 68–75. Save for points that might require special comment, it makes sense, therefore, to save space by eliminating redundant footnotes.

3. Paul Kennedy, *The Rise and Fall of the Great Powers* (New York: Random House, 1987).

4. I subsequently succeeded in obtaining copies of several of the letters that formalized some of the various trade understandings; cf. Thomas Ferguson, "The Right Consensus? Holsti and Rosenau's New Foreign Policy Belief Surveys," *International Studies Quarterly* 34 (1986). On who supported whom in the 1980 campaign, see also Thomas Ferguson and Joel Rogers, "The Reagan Victory: Corporate Coalitions in the 1980 Campaign," in Ferguson and Rogers, eds., *The Hidden Election* (New York: Pantheon, 1981).

5. See the statistical appendix to Ferguson and Rogers, *Right Turn*, 221–227, especially Tables 1 and 2 on page 225.

6. Other business groups complained about the deficit, of course. But they did not leave the party over it; nor, though the point cannot be pursued, were they always serious — that was, after all, the point of hammering away at the deficit to build pressure on social programs. And a few firms, notably defense, certainly had other priorities. See *Right Turn*, page 154.

7. See David Hale, "Accounting for the Dollar Glut," *Wall Street Journal*, April 18, 1988.

8. These are overwhelmingly represented in the data discussed in the tables. American textile firms fell so far that they are no longer well represented in this data, and their political behavior has to be separately analyzed. For the *Fortune* poll, see the issue of February 15, 1988.

9. The table also registers disproportionate support from beverages. One might well ask why. Scrutinizing the sample suggests a fairly obvious answer: for Kemp, the "cola wars" combine with support from some well-known right-wing beer barons to drive the numbers up. It may also be worth emphasizing how exiguous Kemp's real estate support really was. Bear in mind that the table is limited to the universe of other Republican contributors, so that only Dole, whose support from this sector was considerably larger, registers well by comparison with other Republicans. When the comparison is extended to include all contributors to whatever presidential candidate (in 1988), real estate, along with investment banking and parts of the computer industry, shows up as one of the few industries that contributed disproportionately to the Democrats.

10. So did real estate, as the table shows. I report the result because I am not in the habit of editing the numbers. But there is really nothing here: it rests on two contributions, which become (very weakly) significant, because Haig usually attracted no contributions at all.

11. All the chi-square tests reported in this article depend on exclusive partitioning of the data; provided one is careful, this causes no trouble — one tests formally, for example, hypotheses involving investors who made at least one contribution to the Republicans versus those who did not, et cetera. McNemar's test for correlated proportions, however, is not premised on exclusive partitioning, and thus takes direct account of the overlap between contributors. To demonstrate the differences on the Bush-Dole data (which in effect treats the problem as a special case of a matched sample), I also ran this test, which proved significant at the 0.05 level. I am grateful to John Havens for suggesting this approach to me.

12. Because of my grave doubts about reported spending totals, I discourage comparison of percentage rates, especially when reporting within blocs in each party, as in Table 1. I think it makes more sense to think in terms of a bloc of industries that all prove significantly above the mean (always, of course, assuming that the mean is not impossibly small, as in the Haig case). For what it is worth, however, Dole's absolute rate for this bloc is actually higher than Bush's — a remarkable indicator of sentiment, considering that Bush collected far more contributions. The list of defense firms is adapted from James Kurth, "The Military Industrial Complex Revisted," in J. Kruzel, ed., *American Defense Annual*, 1989–90 (Lexington, Mass.: D. C. Heath, 1989); the adaptations were done in consultation with him.

13. See, e.g., the *New York Times*, January 20, 1988. The *Boston Globe* ran somewhat fuller notices around the same time.

14. *New York Times*, January 11, 1988. Preston Tisch at the time indicated that he was normally a Democrat.

15. The other industries in the table for Bush might merit a word. Recall the previous discussion on government support for the computer industry in negotiations with Japan. Oil needs no comment, in general; nor do the (multinational free-trading) investment bankers, who barely make the grade anyway. I strongly suspect interindustry differences play a role here, for in the Bush camp are representatives of several firms that have prominently championed financial deregulation and are actively lobbying to expand into the role of nonbank banks. Many other investment bankers have strongly opposed this, and this industry was one of those most likely to back Democrats in the 1988 election. See Ferguson, "Parties by Invitation Only"; note that Table 1 is restricted to Republican contributors and shows only relative concentrations among those who made at least one contribution to the GOP.

16. See the *Boston Globe*, January 16, 1989.

17. See, e.g., "Presidential Campaign Hotline," February 23, 1988; Ferguson, "Who Bought Bush."

18. Though private banks usually provide much of such financing, transactions of this kind involve official or unofficial cooperation by governments. They are in no way "free market" outcomes, but involve high-level foreign policy deliberations. Cf. Philip Wellons, *Passing the Buck* (Boston: Harvard Business School Press, 1987). Note also that short of mortally threatening internal unrest, Soviet gold reserves should make it a good credit risk.