

**DEMOCRACY  
AT RISK: THE  
POLITICS OF  
ECONOMIC  
RENEWAL**

**REVISED EDITION**

**KENNETH M.  
DOLBEARE**



# Democracy at Risk

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KENNETH M. DOLBEARE  
*The Evergreen State College*

CHATHAM HOUSE PUBLISHERS, INC.  
Chatham, New Jersey

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The Politics of Economic Renewal  
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CHATHAM HOUSE PUBLISHERS, INC.  
Box One, Chatham, New Jersey 07928

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PUBLISHER: Edward Artinian  
COVER DESIGN: Lawrence Ratzkin  
COMPOSITION: Chatham Composer  
PRINTING AND BINDING: Hamilton Printing Company

LIBRARY OF CONGRESS CATALOGING-IN-PUBLICATION DATA

Dolbeare, Kenneth M.  
Democracy at risk

(Chatham House series on change in American politics)

Bibliography: p.

Includes index.

- I. United States—Economic policy—1981-  
2. United States—Social policy—1980- . 3. United  
States—Politics and government—1981- . I. Title  
II. Series.

HC106.8.D65 1986 338.973 86-9607  
ISBN 0-934540-57-8

Manufactured in the United States of America  
10 9 8 7 6 5 4 3 2 1

# **Democracy at Risk**

CHATHAM HOUSE SERIES ON CHANGE IN AMERICAN POLITICS

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*University of California, Berkeley*

*For LINDA—and JAKE and MATT*

## Preface

I began this project as an effort to understand the sharply contrasting public policy prescriptions urged in the 1980s for curing the deepening malaise of the American economy. In particular, I wanted to identify the value premises that lay behind them and trace their probable economic *and* social consequences, all in the context of comparing our present situation with the only similar period in our history, the “Great Transformation” of 1877-1920. My thought was to see more clearly what may be at stake in our pending policy choices by looking at them against the backdrop of the momentous conflicts and changes of that period that so decisively shaped our contemporary social order.

The historical parallels are truly striking, as I shall show in the chapters that follow. Essentially, our society is being reconstructed by two distinct but sometimes linked sets of very powerful forces—apparently economic in character, but also social, political, and cultural. (Though only one of several fully integrated dimensions of social change, economic conditions are usually the most visible ones, and therefore often seem to be the principal driving force as well as the best means of measurement.)

The dominant set of forces is a long-term transformation, in which the kinds of work we do, where and how (and how well) we live, and how we think about ourselves and our future are all being fundamentally altered. We have been in a period of economic *decline* since the late 1960s; we can see the *transformation* in the contrast between the kinds of jobs that are lost and those that are gained each year; and we hope for some kind of economic *renewal* that will restore long-term viability to our economy.

The other set of economic and social forces that has us in its grip is a much more short-term one, but nevertheless powerful in its effects and sometimes difficult to distinguish from the deeper and more fundamental process of decline, transformation, and renewal. This is the all-too-familiar business cycle of inflation, recession, and recovery. In a period of transformation, the cycle swings wildly and rapidly from one stage to another, and I refer to it subsequently as a roller coaster. For example, with massive deficits fueling its rise, in two years the U.S. economy shot from the worst recession in 50 years to a recovery that set statistical records (but left millions in poverty and un-

employment.) However, until the still-uncharted stage of basic economic renewal is reached, we shall probably continue to swing wildly from one extreme in the short-term cycle to another.

We are thus in the midst of a rare but crucial period of economic and social *choices*—choices the more compelling because they are forced upon us by necessity. We cannot preserve the present. Holding on to the status quo is not one of our options, because the forces of change are implacably destroying it every day. The question can only be, What form of change will result? As a stubbornly optimistic democrat, I have framed that question as, What form of change do we prefer?

In trying to spell out the nature and implications of these choices, I have reached what amounts to the major thesis of this book. Economic renewal is the equivalent of *political* renewal; there can be no effective economic renewal program, no policy redirection capable of coping with the transformation that is underway, without fundamental reconstruction in our political system. This reconstruction must occur in the form of (1) institutional changes, in which new governmental structures, mechanisms, and practices are created and old ones altered; and (2) electoral realignment, in which new coalitions come together in support of the basic changes of structure *and* policy that are made. Our present institutions, our decision-making processes, and our national political practices are simply not capable of producing the policies and the political support that are necessary to long-term economic renewal under today's conditions.

But these essential political changes can come about in very different ways. They can be instituted from above, perhaps out of concern for preserving the American economic system in the context of a national emergency—or simply because an opportunity presents itself. In either case, popular support might be secured for some reason unrelated to a specific economic renewal program, and institutional change justified after the fact as a necessary accompaniment. Or the essential changes can be brought about from below, in a democratic process in which a conscious popular movement plays a major role. Such a process may seem unlikely to modern Americans, but it would not have been so foreign to our predecessors in the American political tradition. Again, the importance of a historical perspective.

Our current political stalemate—paralysis of institutions amid a plethora of moneyed special interests, withdrawal by voters amid programless media manipulation—must and will be broken somehow enroute to economic renewal. It can be broken from above, by decisive action and manipulated acquiescence. Or economic renewal can be a democratic product, in which politics and economics both respond to popular preference.



This is why democracy is “at risk” in the coming period: our choice is not only about *which* economic renewal program to institute, but about *how* it shall be done. Stated bluntly, our choice is whether to *contract* or to *expand* democracy in the United States. Just as today’s economic conditions will not permit retention of the economic and social status quo, neither can our political system remain as it is today. As in the latter half of the transformation period of 1877-1920, the scope and character of what we understand as “democracy” will be substantially altered. Translated, this point amounts to a refinement of my major thesis, which now becomes: the choice of an economic renewal program is simultaneously a choice about whether to expand or contract political democracy in the United States.

Now, no stubbornly optimistic democrat can pose such a thesis as an abstract academic matter and then walk away from it. I have felt it obligatory to try to show also what is necessary for a democratic rather than an authoritarian solution to the economic renewal problem, and that such a democratic solution is in fact possible. The key to a democratic solution, I argue, is found at the conceptual-cultural level of thinking about “politics” and “democracy.” This is where history, politics, and economics—power and interest, if one prefers—merge together to produce definitions that shape public understanding for generations.

I have invested some early chapters in showing that Americans once understood “democracy” to include both political rights *and* economic realities—in effect, that people could not be politically equal if they were living under conditions of drastic economic and social inequality. A democratic society was (is?) one in which economic opportunities—real ones, not merely rhetorical ones—are genuinely available to all. Mutual dependence and collective effort were taken for granted; popular participation in various forms was widespread, and voting turnout in presidential elections regularly averaged over 75 percent of the eligible electorate. I argue that the beginnings of the modern equivalent to those ways of thinking and acting are visible in the United States today and that the continued existence of democracy (properly understood) depends on their expansion and realization in political institutions and public policy in the future. My goal is to show not only how and why democracy is “at risk” today, but that we simultaneously have a rare opportunity to preserve and enhance the democratic essence of our society. No risk, no opportunity: the two are inseparable.

The argument of this book is thus linked temporally to the entire era of transformation in which we find ourselves. Neither the short-term swings of the business cycle nor the vicissitudes of particular electoral results can change the basic long-term agenda that this book addresses. Until an economic renew-

al program and the attendant political revitalization have been implemented through one or another route, we shall continue to face the issues set forth here. I have used data from the 1970s and early 1980s, because they show clearly the decline and transformation that is underway. They may also indicate, as I argue in the last chapter, that we are in the early stages of political realignment in the mid-1980s. Such data change from year to year, but basic transformations take decades, even in our fast-changing times. The framework that I offer here, I believe, will serve to organize and give meaning to economic and political data and events for a considerable period of time.

For all these reasons, therefore, this is at once a book about vital macro-economic policies and their consequences, government and business (present and future), American political ideas, the changing character of American political institutions and processes, and the future of American democracy. It is intended both for college students in these fields and for all the other places and people that are concerned about the future directions of the American political-economic system.

To be sure, there are some important matters that time and space considerations have forced me to reluctantly sacrifice. I would like to have dealt more comprehensively with the notion of economic growth, seeking to reconstruct that concept toward less dangerous and more humane terms. I wish I had more time to explore all the dimensions of the internationalization, economic and political, that is reshaping our world. And I have only touched upon the implications of the current technological revolution, which may make possible for the first time the diffusion of knowledge necessary to a genuine federal balance between the center and the peripheries of our political-economic system.

The old "isms" and labels, happily, are dead. Conditions have changed so much that those who are burdened by intellectual baggage of World War II vintage, and in some respects even as recent as the 1960s, will have difficulty understanding today's problems and prescriptions. But as yet we have only the dim outline of new concepts and frameworks to take their place. As we start to build a way of understanding the present and possible futures, it will help to give priority to questions about the evolving character and prospects of "democracy." By its nature, democracy involves the work of many people. I have sought only to show that a meaningful American version is already inherent in the thoughts and actions of many Americans. The eventual outcome depends, as it should, on the choices that people actually make in the next decade or so.

Many people have contributed to this volume. Steve Hodes and Orin Kirshner stand out for their invaluable research assistance and perceptive reading of early drafts. Two colleagues, Jeanne Hahn of The Evergreen State College

and Dan Clawson of the University of Massachusetts, took time from their own work to provide me with the most demanding and constructive criticism that it has ever been my good fortune to receive. So much is owed to Linda Medcalf that this is truly her book, and it is almost redundant to dedicate it to her.

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# I. The Politics of Economic Renewal

The 1980s have produced economic anxiety and experiment unequalled in half a century. A small army of economic doctors has generated a wide variety of often contradictory remedies designed to permanently restore the once robust American economy to the vigor and capabilities formerly taken for granted. And we have learned to live amid hourly bulletins about the health and prospects of the patient.

By now it is conventional wisdom that our problems are not merely the result of a runaway inflation-recession-recovery roller coaster. They stem also from the emergence of a newly integrated world economy, a growing lack of competitiveness on the part of the United States in several vital categories, and a transformation from heavy industry to high-technology and service occupations. Several countries surpass us in key measures of economic performance. At times, we seem headed for a world economic role as manufacturer of exotic weapons and exporter of raw agricultural products.

The current American dialogue accepts the idea of economic decline and transformation, and puts forward alternative economic renewal programs. Prominent among these are cowboy capitalism, the Reagan administration's "free market" package of business-promoting policies, and Yankee capitalism, the trendy "industrial policy" bandwagon. Less visible, but perhaps equally important in the current political setting, are programs for full employment and economic democracy.

Almost unacknowledged in this compelling focus on economic problems and remedies is the fact that far-reaching political changes are inherent in any process of "economic" transformation. Economic analysts, and their economic renewal programs, tend to see the economy as an isolated mechanism—a clock or a car—whose workings can be understood and repaired without upsetting its social and political context. However innocent this may be, it is dangerously misleading. No analysis, program, policy, or transformation can be merely economic. Economic transformation and renewal are also, and equally, political transformation and renewal.

No early step is more vital than grasping the indivisible unity of economics and politics; the failure to do so results in seeing only half of what is at stake

in the choices that have to be made. Nor are these political dimensions derivative in the sense of being mere products of economic forces and actions. Not only the advocates of economic renewal but also their critics have fundamentally misconceived the nature of the problem.

Thus, even the humane and liberal criticism of industrial policy by Charles Schultze, President Carter's chief economic adviser, almost completely misses the point. In a widely noted essay examined in detail later, Schultze denies the need for an industrial policy—primarily on the grounds that our political institutions and customary politics could not accommodate such a government role in economic and social life.<sup>1</sup> The economic problems that he sees are separate and distinct from the political institutions and practice that he takes as given, fixed, and permanent. To be sure, we are locked in a political stalemate, just as we are searching desperately for an economic remedy. But the two are inextricably linked. The remedy requires a break in the stalemate, and the stalemate must be broken to implement any real remedy. This inseparability of economic and political forces and consequences must be firmly established before we can proceed.

The scope of economic change alone has vast political implications. It is causing a massive shift of population within the country, altering the distribution of real income in basic ways and creating a new mix of jobs that demands different kinds of education and threatens to disemploy whole sectors of the middle-aged and blue-collar workforce. These changes and needs are finding expression in our politics in the form of new power balances, protest movements, policy pressures, and similar demands. In turn, responses to them in the form of new policies and programs will have economic outcomes.

But even greater political consequences are embedded in the unacknowledged fact that each economic renewal program carries with it *both* major institutional changes in the structure and practices of our political system *and* basic redistributions of wealth and power in the society. New institutions must be created and others modified in fundamental ways in order to implement any of these programs. More such changes are likely once the process starts. When institutional structures are changed, profound economic results will follow.

The patterns of redistribution that will be generated depend on the economic renewal program chosen. Cowboy and Yankee capitalism will result in American workers and consumers paying enormous financial and political costs for an experiment in rebuilding investment and profitability in the American economy. Full employment and economic democracy would reconstruct the economy in equally untested ways, but ones that would shift wealth and power toward the middle and lower levels of the social pyramid.



To understand our context adequately, or to evaluate the alternatives offered, we must see social life as a whole—economics and politics, society and culture. The “separateness” or compartmentalization of these concepts is a historical product, given us by the outcome of past struggles. Nor are the meanings of the central concepts of political-economic thinking the only burdens of history that we carry. The present is part history, part future—and understanding where we are and how we think requires a short detour into the past.

### *The Necessity of History*

The 1960s and 1970s gave us social and cultural changes and generated political impacts that have not run their course. In many ways, Americans are still promoting, defending, or reacting against those changes. The current economic transformation, however, is cumulating powerfully with this first wave of change. As part of a pattern that is both worldwide in scope and comprehensive in character—at once social, cultural, economic, *and* political—it has far greater potential for fundamental social and political change.

For a precedent in American history, we must look past the Great Depression of the 1930s, back to the period from 1877 to 1920. In that relatively brief span a century ago, the United States changed from a rural, agricultural, insular country to an urban, industrial, world power. Prolonged and bitter conflicts of various kinds, a political realignment that lasted 40 years, a fundamental reconstruction of national government institutions, and a redirection of public policy were all part of this process.

The era of transformation on which we have embarked is thus another in a series that occurs at 50-year intervals, in which a new accommodation between capitalism and democracy is essentially at stake. Capitalism rests on the accumulation of private property and the freedom to employ it as the owner desires. As we know, it can be immensely productive under favorable conditions. But it results in a highly unequal distribution of wealth, as well as of power over people and things.

Democracy involves participation in public decisions for the dual purpose of having some degree of control over one's life and experiencing growth in personal qualities. It assumes political equality, which in turn depends upon rough equality of political resources—including wealth, social status, and power. Without such preconditions, participation is meaningless, and effective control and personal development are impossible.

There is therefore a continuing tension between capitalism and democracy in our history. Accommodations, in which democracy normally yields (whether this is widely recognized or not), historically have been achieved by one of two