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STRUCTURE vs CONJUNCTURE

The 2006 Elections and the Rightward Shift

HOW SHOULD THE Democrats' 2006 recapture of Congress be interpreted in the context of the broader trends in American politics over the last decades? In what follows, I will examine the development of the two parties against the background of underlying shifts in the balance of class forces in America, to read the conjuncture of 2006 against the deeper structural movements of the American polity—from the labour struggles of the 1930s and construction of the New Deal Democrats, through the Great Society reforms of the postwar boom, to the political paradigms of the capitalist offensive with the onset of the long downturn. Within this framework, I will argue that the rise of the Republican right, building from bases in an expanding, non-unionized South, has introduced a new dynamic into US politics that aims to push the pro-corporate agenda beyond anything even Reagan had contemplated.

I. THE DEMOCRATS' VICTORY

The results themselves have already received much scrutiny. Broadly speaking, the basis for the Democrats' victory in the 2006 mid-terms lay in swings of 4–6 per cent in their favour among nearly every category of the electorate, plus a highly significant 14 per cent swing among Latinos.¹ This enabled the Democrats to increase their House delegation

from 201 to 233 seats, with the Republicans dropping from 232 to 202. In the Senate, the DP won six new seats, to move from 45 to 51 (including two independents), while GOP seats fell from 55 to 49.

Though some have hailed a new thrust toward social reform,² it is generally acknowledged that the vote represented a repudiation of the Bush Administration's record rather than a surge of positive support for the Democrats. Throughout October 2006, American TV screens were dominated by images of increasing mayhem and communal strife in Mesopotamia, with sixteen intelligence agencies reporting that the war was fuelling terrorism, not reducing it. In addition, corruption exposés and sex scandals laid bare the hypocrisy of the Republican-fundamentalist charade; Katrina remained a running sore; 'homeland security', like Iraq reconstruction, was sold to the highest bidder—against a background of poor jobs performance, real-wage stagnation, and dwindling pensions and health insurance. But it is of course America's failure in Iraq that has made this such an exceptional electoral conjuncture.³

Since 9/11, Karl Rove's strategy has been to portray first Afghanistan and then Iraq as the central arenas in the 'war on terror', in order to win the popular support the Bush Administration needed for the implementation of its pro-business agenda, which could not have prevailed electorally on its own. Rove was successful in 2002 and 2004, when worry about national security outweighed mounting opposition to the war. The swing votes of married women with children, the so-called 'security moms', had favoured the Republicans by, respectively, 53 and 56 per cent. But by 2006, the moms were supporting the Democrats by a 12-point margin, 50 per cent to 38 per cent. Fifty-seven per cent of Americans (against 35

¹ By comparison to the House elections of 2004, the Democrats won a swing of 6 per cent of the white male vote, 4 per cent of the white female vote, 5 per cent of 18–29 year olds, 4 per cent of those making less than \$50,000, and 6 per cent of those making over \$50,000, while maintaining 89 per cent of the Black vote. Democrats made strong inroads in the Midwest, Northeast, South and West, giving a Democratic plurality of 4.4m votes, compared to a Republican plurality of 3.6m in 2002. With respect to 2002, the 2006 mid-terms witnessed a 5.5 per cent shift from Republicans to Democrats.

² See, for example, Michael Tomasky, 'Dems put the "big tent" back together', *Los Angeles Times*, 12 November 2006; John Nichols, 'Power Shifts in the States', *Nation*, 4 December 2006.

³ Pew Research Center for the People and the Press, 'Iraq Looms Large in Nationalized Election', 5 October 2006, p. 7.

per cent) now felt that the Iraq war had failed to make the country more secure. Herein lies the nub of the 2006 election.⁴

Nevertheless, the Republicans have held their own to a remarkable extent. Their base turned out in force, with white evangelicals increasing their share of the total vote from 23 to 24 per cent, while the figure for those attending church at least once a week rose from 41 to 45 per cent, albeit on a significantly smaller overall turnout.⁵ In their southern heartland the Republicans retained all their House seats save for two in the Miami area—which in socio-political terms barely counts as the South—and one in North Carolina, where former pro-football star Heath Shuler ousted John Taylor.⁶ More serious was the narrow defeat of Virginia Senator George Allen, a party leader and standard-bearer of the right, by a Reagan-era Navy Secretary, James Webb; but since the seat was lost by such a slender margin, following an unusually gaffe-prone campaign, the broader significance for the Republicans is moot. Overall, Rove must be comforted by the degree to which the Republicans retained their popular following, despite the debacle of Iraq and with the Administration having forced through a raft of blatantly pro-business legislation.⁷ In 2000 Bush ran as a ‘compassionate conservative’, and the Republicans won 48 per cent of the House total popular vote. By 2006, compassion had been entirely abandoned, yet the Republicans still garnered 46 per cent. In 2000, 36 per cent of those voting had described themselves as Republicans; in 2006, 35 per cent still did.⁸

⁴ Jim VandeHei, ‘Republicans Losing the “Security Moms”’, *Washington Post*, 18 August 2006; CNN Exit Polls for the House of Representatives, 2004 and 2006.

⁵ White evangelicals voted 70 per cent GOP, 28 per cent DP; those attending church at least once a week voted 55 per cent GOP, 43 per cent DP. Though 3–4 per cent fewer voters in these categories went Republican than in 2004, given the overall swing toward the Democrats of 4–5 per cent these small declines cannot be taken as indicative of the longer-run trend.

⁶ The Republicans had previously attempted to recruit Shuler, a conservative anti-abortionist, for their own ticket, but he was persuaded to run as a Democrat by Rahm Emanuel.

⁷ Most salient are the Class Action Fairness Act, reducing the effectiveness of class action suits; the Bankruptcy Abuse Prevention and Consumer Protection Act, reducing protection for the country’s indebted working class. In addition, the Energy Policy Act, Medicare Prescription Drug Act and Estate Tax Relief Act constituted huge giveaways to oil, pharmaceuticals and the ultra-rich. Republican tax cuts, skewed toward top income brackets, have produced an annual deficit equivalent to 2 per cent of GDP, with obvious implications for social spending.

⁸ CNN Exit Polls for the House of Representatives, 2006.

Passive beneficiaries of the fallout from Iraq, the Democrats had run a national campaign without a discernible programme—and this entirely by design.⁹ Their strategy, under the direction of Rahm Emanuel, head of the party's Congressional Campaign Committee, was to field hand-picked centrist and conservative candidates in the most marginal districts, focusing entirely on the Bush Administration's failings.¹⁰ As a result, their newly elected members of Congress will largely serve to strengthen the right wing of the party, which longs for nothing more than a return to the glory years of Bill Clinton, when balanced budgets and neoliberalism were the order of the day, Lincoln's Bedroom was always occupied and triangulation was the highest principle.

As much as anyone, Emanuel exemplifies today's Democratic Party and is likely to be among those setting its future direction. A top political operative under Clinton, he has played a leading role in the 'modernizing' Democratic Leadership Council, formed in 1984 to adapt the Party to the Reagan era. The DLC-New Democrats' aim is to expand their access to business, to the white vote and to the South—the assumption being that traditional black and working-class Democrat constituencies will have nowhere else to go. This means support for stepped-up military spending and US imperial ventures, advocacy of tax breaks and other pro-business policies, and the termination of any remaining socially redistributive commitments to the labour movement and black organizations. The DLC now have sixty representatives in the House, over a quarter of the Democrats' total roll. In addition, the Party's ultra-conservative Blue Dog caucus now has 44 representatives, up by seven since 2004. Formed in 1994 by right-wing congressional Democrats, particularly—but not solely—from the South, to counter what they saw as a left-wing Party majority, the group lean to conservatism not just

⁹ In the words of the non-partisan Cook Political Report, 'This was a campaign that was run explicitly to be devoid of issues. They never had to outline their own positions . . . which makes it very hard to know exactly where these folks are coming from'. 'Five Myths About the Midterm Elections', *Time*, 16 November 2006.

¹⁰ On the morrow of the vote, some 65 per cent thought that the result was due to dissatisfaction with the Republicans; only 27 per cent believed the Democrats had won by virtue of having better candidates. Democrats won 57 per cent of self-identified 'independent' voters in 2006, compared to 49 per cent in 2004, and 61 per cent of self-styled 'moderates', compared to 56 per cent in 2004. See Marcus Mabry, 'Newsweek Poll: Bush Hits New Low', MSNBC.com, 11 November 2006; CNN National Exit Polls, 2004 and 2006; 'Centrists Deliver for Democrats', Pew Research Center, 8 November 2006.

on 'social issues' like abortion and gun control, but also on economic policy. 'Pro-growth' and committed to 'fiscal responsibility', many Blue Dogs voted in favour of the Bush Administration's most socially regressive measures. On the eight major pieces of legislation that divided the Democrat and Republican majorities in the 2004–5 session of Congress, 45 per cent of Blue Dog votes backed the Republicans.¹¹

In the wake of the 2006 mid-terms, the victorious DP conservatives have been flexing their muscles. As Arkansas representative Mike Ross announced: 'Republicans lost their seats not to liberals but to Blue Dog Democrats . . . We'll have a lot to say about what passes and what doesn't.' Tennessee representative John Tanner has stated: 'We increased our market share by going where the market was, to moderate, even Republican, districts . . . If we're going to hold and consolidate that, we have to understand the reality that the face of the Democratic Caucus has changed from where it was in the late 80s and early 90s.' Naturally this is welcome news to the House Republican leadership.¹²

II. THE RIGHTWARD TRAJECTORY

The Democrats' electoral-legislative strategy and likely future trajectory make manifest the transformation of the American polity over the past half-century. From the hegemony of liberalism, in which the Democrats made the running and to which the Republicans had to adapt, this has shifted to an ascendancy of the right, in which the Republicans have been the driving force, and with respect to which the Democrats have been obliged to remake themselves. This shift was itself the expression of an underlying evolution in the balance of class forces and the pattern of capital accumulation. This had been shaped, first, by an unprecedented explosion of working-class power in the 1930s, followed by a quarter-century of prosperity accompanied by the decline of labour. The onset of profitability problems from the 1960s then made for long-term economic stagnation, paralleled by an unending offensive of capital

¹¹ Chris Bowers, 'Congressional Loyalty Scorecards, Part Four: Blue Dog Democrats', MyDD.com.

¹² Jonathan Weissman, 'Democrats Find Lessons in GOP Reign', *Washington Post*, 12 November 2006. For Blue Dog Democrats see the website of Congressman Tanner, a founding member: www.house.gov/tanner/blue.htm.

that led ultimately to Clintonomics, and then to the hard-right Bush Administration. To this progression I now turn.

Rise, persistence and collapse of liberalism, 1932–80

Against the background of the Great Depression and Hoover's initial calamitous response, it was the great upsurge of industrial militancy across manufacturing in the mid-30s that created the transformations in working-class political consciousness and organization that were the basis for the rise and reproduction of American liberal reformism.¹³ It was this explosion of mass direct action outside the electoral-legislative arena that constituted the indispensable precondition for the popular gains of the New Deal. Industrial unions were established in the face of determined employer resistance, and under conditions of increasing political radicalization. Thus the newly-established United Auto Workers initially refused to support the Democratic ticket and, at their founding convention in 1936, called for the formation of independent farmer-labour parties. During this period, such parties flourished at local and state level across the country. In 1934, the Democrats' congressional landslide in the mid-term elections had already been understood as the expression of an ascending left. Working-class militancy now made for sufficient pressure to oblige the Roosevelt Administration, which had been dragging its feet, to pass its centrepiece reform legislation: the 1935 Social Security Act and Wagner Act, recognizing trade union rights.

But having 'trusted in Roosevelt', the CIO unions experienced a devastating defeat at Little Steel in May 1937, and then a further demoralization during the 'second great depression' of 1937–38. A new layer of full-time CIO leaders also played a significant part in the domestication of worker militancy, helping to repress the wave of wildcat and sit-down strikes that broke out across industry in the winter and spring of 1937, and failing to press home a potential victory against the Chrysler corporation. The Communist Party, which had played a decisive role in organizing the mid-30s CIO upsurge, now followed Moscow's line in committing itself to a Popular Front that included not only John Lewis's CIO and the Democratic Party, but also the Roosevelt Administration. Meanwhile, increasingly separated from the daily activity of the shop

¹³ Worker militancy reached its zenith in the Great Textile strike of 1934, the successful general strikes in Toledo, San Francisco and Minneapolis of the same year, and the sit-down strikes at General Motors in 1936–37.

floor and dependent on the union itself for their livelihood, an emergent CIO officialdom reacted to the fall-off in mass struggles by turning to the institutionalization of union–employer relations, through state-sanctioned collective bargaining and regulation. This entailed a full commitment to the electoral road and to the Democratic Party, as a vehicle through which to win further reforms via the legislative process.¹⁴

The support of organized labour brought not only a huge increase in the Democrats' electoral base but a huge fillip to their electioneering efforts, as the CIO unions provided funds and foot soldiers for elections, as well as lobbying pressure. But it also set in motion a longer-term process that undermined not only the power of the unions but also the potential of the Party as a vehicle for social redistribution. By failing to enhance their own strength, independent of the DP, through standing up to the corporations, the trade unions increasingly forfeited their leverage over the Party, yet were still left to rely upon it to produce the goods for their members. Consequently, Democrat leaders could count on the unions' support while delivering ever less in return. With labour's backing taken for granted, the DP leadership was free to manoeuvre with the forces on their right, notably the Party's Southern wing; this would set inevitable limits on any reform programme. In doing so Democrat leaders, like trade union officials, served only to further the disintegration of organized labour—their most powerful social base. A comparable process would be repeated with the black, women's and Latino movements, all of which originated in independent direct action in the streets and workplaces, throwing up militant new organizations; but whose emergent middle-class leaderships ultimately came to rest, alongside labour officialdom, inside the DP cocoon.

World War II brought big gains in membership for the trade unions, at the price of further emasculation and bureaucratization. Government patronage, in return for a no-strike pledge, raised the prestige of labour's 'new men of power' to hitherto inconceivable heights—but in the context of a triumphant politico-economic revival of the corporations, based on record-breaking profits, and the subordination of labour to government and business in the tripartite administration of the war effort. A powerful postwar strike wave in 1946 won minimal gains, dashing union hopes for a price-control system that would allow the labour movement to offer a form of social-democratic leadership to the working class as a

¹⁴ See especially Mike Davis, *Prisoners of the American Dream*, London 1986.

whole. The resulting demoralization was expressed in a sharp drop in working-class turnout for the 1946 mid-term elections, which issued in a swing to the Republicans. The red-baiting assault on labour that followed would culminate in the 1947 Taft–Hartley Act, placing decisive curbs on union power.¹⁵

More damaging in the long term was the failure to unionize the South through Operation Dixie. For this campaign to have succeeded, the labour leadership would have had to unleash mass social struggles, comparable to those of the 1930s, against the entrenched southern elite; but they had no intention of risking this sort of confrontation. This failure would later permit this low-wage, low-tax region to become the setting for the first wave of us corporate globalization, undermining the strength of labour in the rest of the economy. The labour movement would see a brief revival during the Korean War and after. But by the end of the 1950s, feeling the first pangs of international competition from emerging European and Japanese industry, the corporations dealt the unions a series of devastating blows in autos, electrical-goods and steel. The rate of private-sector unionization peaked in 1953 at 36 per cent; but this fell to 31 per cent in 1963, 27 per cent in 1973 and would decline continuously thereafter.¹⁶

Paradoxically it was at this point, from the early 1960s, with the trade-union movement greatly weakened, that the extension of the postwar boom brought a new lease of life to projects for (mild, state-managed) social redistribution, and to the ‘political liberalism’ of the Democratic Party in general. The expanding us economy allowed corporate profits, take-home pay and social spending to rise together. Within this context, labour and other social-reform-minded forces within the Party moved to outline the ‘Great Society’ programme—which the Republicans, too, would find themselves obliged to support. Even during the Truman and Eisenhower administrations, these forces had played an important role in making social-security benefits broadly available, albeit financed by an ultra-regressive payroll tax on workers. The Democrats’ reform aspirations were always limited by the priority they gave to capitalist profits, both

¹⁵ The Act outlawed secondary boycotts, undercut the union shop, sanctioned state-level strike-breaking legislation (‘right to work’ laws), and targeted Communist unions and leaders.

¹⁶ On the mid-century decline of the unions, see Michael Goldfield, *The Decline of Organized Labor in the United States*, Chicago 1987; Nelson Lichtenstein, *State of the Union. A Century of American Labor*, Princeton 2002.

in terms of ensuring the general process of capital accumulation, and in attracting business funding for themselves. This entailed a programme of encouraging foreign direct investment in Europe and elsewhere, pushing for free trade, and patronizing the newly emerging Euromarkets as a base for mobile capital—all of which would further weaken American labour's leverage. It also meant retaining the Taft–Hartley Act, despite ever-larger Democratic congressional majorities won in 1958 and 1964, based on increasing urban and working-class populations.

It required the rise of the black civil rights movement, and especially its extension to the North, to induce the Democrats to turn once more towards serious social reform. The demand for jobs was central in the 1963 March on Washington. Black rebellions in New York, Philadelphia and Los Angeles in 1964–65 extended the movement's goals beyond political equality to economic well-being. Against the backdrop of Vietnam, and expanding Third World struggles, the Johnson Administration launched not only landmark civil-rights and voter legislation but also, very consciously, the greatest expansion of the welfare state since Roosevelt. The panoply of 'Great Society' reforms included Medicaid, Medicare, the Food Stamp programme, Supplemental Security Income, the Elementary and Secondary Education Act, and Head Start. So hegemonic was this programme in the early 70s that for Nixon—in the context of Black Power and mass anti-war movements—it was electoral common sense to step it up. A substantial increase in social security benefits, expanding unionization for federal government workers, a proposed Guaranteed Annual Wage (rejected by the Democrats), creation of the Legal Services Corporation (Legal Aid), the Environmental Protection Agency, the Consumer Product Safety Commission, the Occupational Safety and Health Administration and (under Gerald Ford) initiation of the Earned Income Tax Credit scheme, were the results. Apparently permanent prosperity, assured by federal deficits, made for what seemed to be an open-ended programme of social reform, whichever party was in power. As Nixon put it, 'We're all Keynesians now.'

Onset of the downturn

But this high tide of social reform was very brief. From the mid-60s the rate of return on capital began to fall, and continued to do so over the next decade and a half, reducing the pre-tax rate of return for non-financial corporations by 35 per cent between 1965 and 1979; and introducing,

from 1973, an extended epoch of stagnation and crisis of even greater length than the postwar boom. In response, employers unleashed an intensifying assault on labour organization and working-class living standards that has not abated to this day. The 'Great Society' increases in social spending and business regulation had been premised upon a regime of high profits, economic expansion, and the taming of working-class and other social rebellions. The profitability crisis and employers' offensive left DP liberals politically disarmed, obliged by their own principles to subordinate all else to the recovery of the rate of return. The collapse of the social reform project was the inevitable outcome.

In the early 1960s trade-union leaders had stood passively by as American industry, increasingly challenged by rivals in Germany and Japan, sought to revive competitiveness by pushing through what was then termed 'a new hard line'. The growth of manufacturing wages for the period 1960–69 was half that of 1948–59, despite the continued economic expansion. Under rising pressure from their members, labour leaders did organize a series of strikes later in the 60s; but they made a more systematic—and successful—effort to crush the series of rank-and-file revolts that broke out in trucking, auto, telephones, mining and elsewhere. Union officials now had to face the wrath of corporations determined to intensify work rates and reduce wage growth, whatever the risk of strike action, so as to counter falling profits and increasing international competition. Between 1973 and 1979, days lost in strike action fell by about a quarter, and private-sector unionization rates dropped to 22 per cent. Real wages in the private sector had ceased to rise by 1972; they would now fall for the remainder of the 1970s and 80s, and much of the 90s.

In the wake of Watergate—and in the midst of a recession that would turn out to be the worst since the 1930s—the Democrats picked up 49 seats in the 1974 mid-term elections, to secure their biggest House majority since the New Deal. In 1976 Carter won the Presidency, by a narrow margin. But in the space of barely half a decade, the meaning of Democratic control of government had been completely transformed and the prospects for further 'Great Society' reform extinguished. In part, this was because the new congressional intake was of a different political stripe to its predecessors, who had first won office in the halcyon days of boomer liberalism. The incoming 1970s 'moderates' had won their seats due to the revulsion against Nixon in relatively affluent suburbs, hitherto Republican; their highest priority was to hold down spending so as to

reduce taxation. But the underlying reason for the Democrats' precipitous retreat from a reform agenda was that, with the economy gone sour, the corporations on a rampage, and the unions wilting under fire, they found themselves operating in a transformed socio-political environment.

The American exception

The 1970s crisis of profitability was, of course, virtually universal across the advanced capitalist economies, as was the commitment of all mainstream political parties—from Social Democracy and left Liberals to Christian Democrats and Tories—to a revival of capital accumulation, premised on a recovery of capitalist profits. Over the course of the 1970s, wage and social-spending growth slowed almost everywhere. But adaptations to the downturn took place in the context of distinctive balances of class forces across the capitalist north, and this made for a significant variation in politico-economic outcomes. In contrast to the declining rate of unionization in the US private sector, most of the advanced capitalist economies of Western Europe witnessed the opposite trend—an increase in union density not just during the 1950s and 1960s, but throughout the 1970s and, in places, the 1980s. Even by the later 1990s, unionization rates in several European countries remained far above the US peak of the 1950s, and few had experienced substantial fall-offs.¹⁷ West European labour was not sufficiently strong or united to prevent a negative shift in the balance of class power, resist the global trend to austerity, or prevent a decline in its own strength within industry and on the shop floor. But in many instances it was able to secure a certain political stasis. With the exception of the UK, nowhere in Western Europe was there the perpetual and accelerating slide to the right to be found in the US during the 1980s and 1990s.

This divergence in political trajectories between the Anglo-Saxon and continental capitalist economies was registered in the latter's ability not only to maintain welfare states which, by 1980, were distinctly more generous than America's, but to achieve a significant increase in social spending. This rose from 22.6 to 26 per cent of GDP in northern Europe between 1980 and 2000, but from 13.3 to 14.2 per cent in the US. By the end of the century, the population in poverty in the US, at 17 per cent,

¹⁷ 'Labor History Symposium', *Labor History*, vol. 47, no. 4, p. 573, citing Gerald Friedman, *Reigniting the Labor Movement*, London, forthcoming.

was at least twice as high as that of Western Europe.¹⁸ In the US, it was the disintegration of the labour movement, and of working-class power more generally, that was the central factor in opening the way for the reconfiguration of politics under the onslaught of the corporations.

Even during their ‘golden age’ of reform, between 1948 and 1973, the Democrats’ efforts to extend the Rooseveltian settlement had a certain paradoxical and tentative character. This is because they were accompanied by the steady decline of what had been the major agent of reform, and the Democrats’ key electoral base—organized labour. It was, as we have seen, the postwar boom that allowed social spending to expand without cost to profits, significant redistribution of income, or undue pressure on working-class wages; and with relatively little pressure from social movements. The more or less continuous fall of profitability between 1965 and 1979, issuing into a long epoch of slowed growth, deprived the reform thrust of its fundamental enabling condition.¹⁹

Symptomatically, it was the Carter Administration—not that of Reagan—which launched the first assault on reform-era American liberalism, pushing for de-regulation so as to undercut union power in such major industries as trucking and airlines. As a precondition to bailing out the Chrysler corporation in 1980, Carter insisted on extracting major concessions from the United Auto Workers—prefiguring Reagan’s attack on PATCO. The Democratic Congress followed suit, rejecting progressive legislation on consumer protection, election-day registration and labour-law reform. In a telling sequence, the Carter Administration was obliged to approve a law cutting the tax rate on capital gains, after having initially forwarded to Congress a bill aiming at more progressive taxation. When Keynesian policies not only proved ineffective in restoring profitability but gave rise to runaway inflation, ‘growth liberalism’ was effectively dead.

Shift to the right

With the onset of the long downturn, and the political vacuum left by liberalism’s collapse, American corporations became the driving force

¹⁸ Donatella Gatti and Andrew Glyn, ‘Welfare States in Hard Times’, *Oxford Review of Economic Policy*, vol. 22, 2006, especially pp. 307–8; OECD Social Expenditures Data Base, 2004. I wish to thank Andrew Glyn for forwarding this dataset to me.

¹⁹ In the following sections I am much indebted to Thomas Edsall, *The New Politics of Inequality*, New York 1984; Thomas Edsall and Mary Edsall, *Chain Reaction. The Impact of Race, Rights and Taxes on American Politics*, New York 1991; and Thomas Ferguson and Joel Rogers, *Right Turn*, New York 1986.

that would shift the polity to the right. But the growing success of the business agenda within the halls of government is inexplicable purely in terms of corporate mobilization. Its scope depended on the ability of the Republicans to develop a new hegemonic project that would replace 'Great Society' liberalism and offer an alternative model to significant sections of the working class. The process seems to have taken place in three overlapping phases: first, Nixon's 'southern strategy' in the 1960s; second, through the 'tax revolt' of the 1970s; and third, in response to a new Republican far right, rooted especially in the South.

Between 1932 and 1964, the Democrats had a vast preponderance among the white working-class electorate and, on this basis, dominated the political arena. In 1948 they took more than 75 per cent of white working-class votes; though dropping to 58 per cent in 1960, the figure rose again to 75 per cent in 1964, when Republican presidential candidate Barry Goldwater ran on a hard-right programme of smashing the unions, demolishing the welfare state and implementing an aggressive Cold War foreign policy—and met with resounding defeat. But when the Democrats took up the civil rights agenda, pushing through court-enforced integration of schools, housing and jobs, as well as social-spending programmes that primarily benefited poor blacks—at a time of black urban rebellion, as well as women's liberation and the anti-war movement—the Democrats' share of the white working-class vote plunged to 45 per cent in 1968, and to 38 per cent when McGovern ran in 1972.²⁰

During these years, Nixon's 'southern strategy' was able to detach a significant section of the white working class from the Democrats by making a fairly explicit appeal to racism, blaming the government and congressional Democrats for the costs the state was imposing on white workers to fund 'hand-outs' for blacks. Yet a qualification must be entered: Nixon was able to succeed electorally in this period only by deepening his identification with 'Great Society' liberal reform. Indeed, had the postwar boom continued, the longer-run electoral implication of Nixon's victories might have looked rather different. Even in 1970, the Democrats' control over Congress was still as strong as it had been in 1962; in 1976 Carter secured over 50 per cent of the white working-class

²⁰ Paul Abramson, John Aldrich and David Rohde, 'Social Forces and the Vote', *Change and Continuity in the 2000 and 2002 Elections*, Washington, DC 2003, p. 112.

vote, and the Democrats won their greatest congressional majorities of the postwar epoch.

It took the deepening economic crisis of the 1970s to create the conditions for the second stage of the Republicans' project: to win over white working-class voters on a straightforwardly right-wing basis. Between 1972 and 1980, real weekly wages fell by 7 per cent. At the same time, due to 'bracket creep', a rising proportion of the working class became liable to higher tax rates. By 1976, a median-income family was taxed at nearly 23 per cent, compared to under 12 per cent in 1953. The highly regressive social-security tax bore ever more heavily, with the maximum liability growing from \$144 in 1960 to \$825 in 1975—a sum equally payable by a family earning \$14,100 a year and one earning \$75,000.²¹ Workers unable to defend their economic position through a much-weakened and demoralized labour movement were more open to doing so by 'joining the tax revolt'—responding to an ideological appeal that was, in effect, a cross-class alliance with business. The success of Proposition 13 in California in 1978 constituted a turning point, finding a significant echo across the country. Its proponents appealed to an anti-statist individualism, given a racist twist by pointing to the Carter Administration and congressional Democrats' ostensible favouritism to inner-city blacks and associated 'softness' on crime, welfare, prisoners and so forth. Reagan's ability to consolidate support for this message across much of the white working-class electorate was his major domestic contribution to the rightward shift. His de facto prohibition on raising taxes constituted a crucial step forward for the Republicans in naturalizing the business agenda.

Rise of the new right

But by this time the South was beginning to provide both a template and an electoral base for the rise of a new Republican right. The Democratic Party's 1960s turn to civil rights, while winning it overwhelming support among the black electorate, had freed the white conservative South, and especially its emerging business layer, to forge a new alliance with an already pro-business Republican Party, providing the latter with the potential for a historic increase in its national power. This was not because the South represented a backward, retrograde region; on the

²¹ Edsall, *New Politics of Inequality*, pp. 211ff; Edsall and Edsall, *Chain Reaction*, pp. 105–6.

contrary. The ascent of the Republican far right in the South was tied to the rise of a dynamic industrial capitalism across this region over the second half of the twentieth century.

As the North declined industrially, the South rose. Between 1955 and 1975, the share of the thirteen southern states in the national manufacturing labour force leapt by 50 per cent, making the South the home of 30 per cent of manufacturing labour. By the 1990s, the South was as industrialized and urbanized as the North and matched it in virtually every indicator of capitalist advance—except, not accidentally, levels of real wages, taxation, social spending and trade unionization. In other words, it provided the template for the political economy that the Republican right wished to impose on the US as a whole, as well as the first port of call for an unending process of American globalization. The right was thus able to construct its new power base in an already favourable political environment. The South's reactionary capitalists were among the main forces in the far-right mobilization that ultimately issued in the Goldwater campaign. Its so-called middle-class layers, meaning those from the relatively well-off suburbs, were already extremely conservative and implacably opposed to all aspects of the Great Society settlement, especially welfare 'hand-outs'. Southern workers were politically atomized, individualized in the extreme, and therefore unusually open—not to say historically prepared—to embrace non-class forms of solidarity: race, the patriarchal family, nationalism-cum-militarism, and Protestant fundamentalism, now linked to Zionist expansionism.

The right's electoral rise in the South—the third phase in the process that would ultimately make possible both the foreign and domestic policy departures of the post-2001 Bush Administrations—took place relatively slowly, especially below the presidential level. Thanks to the Goldwater campaign's repudiation of the civil-rights movement, the Republicans gained an initial bridgehead in the five Deep South states in 1964. Republican success in presidential elections soon followed, especially as blacks did not constitute a large enough majority in any state to stand in the way. But after the Republicans had won an initial quotient of seats during the second half of the 1960s, the struggle for control of southern congressional delegations proved much more difficult. This was, in part, because blacks did make up large proportions of the electorate at district level; in part, because Democrats had plenty of room to adapt on a local basis to racial and political conservatism. Republican advance

actually ceased following Watergate. But it gained a major political and ideological impetus during Reagan's rhetorically, if not necessarily substantively, far-right administration, which, by appearing to enhance Republican hopes for national power, gave southerners a reason to break long-standing ties with Democrats. It was during the Reagan era that the new southern-based Republican congressional leadership—from Newt Gingrich to Tom DeLay—first gained office and began to organize.

The new Republican right had made its point of departure a dynamic, modernizing South that was already the most right-wing region of the country, possessed of the weakest trade unions and welfare infrastructures. To this core base, it sought to add an analogously right-wing Mountain region, shorn of its once radical miners; suburbs and exurbs across the country that had become the new redoubts of white working-class families, in flight from both black or Latino inner cities and increasingly expensive older suburbs. It aimed to appeal especially to white working-class men, suffering long-term economic decline compounded by new threats to patriarchal authority. With these forces, combined with its traditional backers in what remained of small-town America, the Republican right appeared to have the electoral potential to break beyond America's anaemic version of welfare statism and to launch a new imperial project. In other words, it could hope to amass sufficient white working-class support to realize its straightforwardly anti-working class project—and thus to overcome the problem that had bedevilled the American right since Goldwater: how to win electoral support for a domestic programme that was transparently against the economic interests of the great mass of the population, and a foreign policy that appeared both reckless and redundant?

The answer, as we have seen, was to look to the South, both as model and as electoral base, to construct an anti-statist individualist ideology founded on white supremacy, defence of the patriarchal family and Protestant fundamentalism. It was the Republican right's success in constructing this ideological formula, and in identifying the liberal state as a central threat to the racial status quo and 'traditional family values', that provided it with the wherewithal to contend for power on a brazenly pro-business programme. Its targets were the key aspects of the New Deal–Great Society settlement that no administration, Democrat or Republican, had so far dared to touch: Social Security, progressive taxation and (a good part of) the business regulatory regime, including the

EPA and OSHA. The Reagan Revolution had been pulled up short by the deep recession of 1981–82, which allowed the Democrats to recover lost ground in the House and limited the Republicans' momentum. Reagan was obliged to rescind a good part of his tax relief to the rich and restore a significant share of social spending. To transcend this stalemate was the project of the Republican right.

The Democrats' response

Just as the corporations and the Republicans had been obliged to adapt to a context defined by the liberalism of the Democrats' New Deal–Great Society project and the residual power of the labour movement during the postwar boom era, so from the mid-70s the Democrats, in a period defined by economic stagnation and the ever-increasing power of business, would accommodate to the Republican-driven push to the right. In Congress, the Democrats' initial response to the rightward shift of the 1970s was defensive and conservative. Above all, they sought to milk their long-term House majority for all it was worth, blocking Republican initiatives while at the same time impressing upon corporate contributors the need to pay the elected pipers. If American business had always preferred the Republicans, during the postwar boom it saw little alternative but to provide material support to a Democratic Party that, throughout most of the period, maintained an overwhelming grip on Congress (and always put corporate profits first). By the late 70s, just as the Democrats had abandoned their social-reform project, the giant corporations undertook an accelerated process of political organization—amassing funds, systematizing their lobbying procedures, and nurturing new think-tanks to flesh out an ambitious pro-business agenda. The recently established Business Roundtable and the Chamber of Commerce were central to this mobilization. In 1974 labour was still raising more in political funding than the corporate and trade association Political Action Committees. By 1984 the latter were raising two and half times as much as labour; probably three times as much, if hard-right PACs were taken into account. Over this period, total PAC contributions increased from \$45 million to \$175 million.

The carrot-and-stick of corporate money was already playing an often decisive role in tipping legislative outcomes toward business under Carter, especially on labour law, taxation and business regulation. Its influence reached an initial peak in the first years of the Reagan

presidency, rewarded by the administration's massive pro-business tax cuts, and would grow continuously thereafter. By 1992, corporate and trade association PACs were contributing \$150 million, compared to \$44 million from labour. While corporate PACs allotted 60–65 per cent of their Senate campaign contributions to Republicans, the Democrats successfully exploited their incumbency in the House to secure 50 per cent of corporate monies there. (Non-incumbent Republicans received 10 per cent, compared to 5 per cent for non-incumbent Democrats.) The pattern of contributions from trade association PACs was even more favourable to the Democrats.²² Meanwhile, the Democrats used their control of state legislatures to engage in widespread redistricting—i.e. gerrymandering—to allot themselves an estimated 25 extra seats beyond those merited by their vote.

Finally, few congressional Democrats hesitated to adapt, chameleon-like, to the ideological colouring of their districts, or to demonstrate their understanding of the corporate agenda; their attempt to outbid the Republicans by inserting further breaks for business into Reagan's 1981 tax bill constituted only the most salient example. In this the Democrats were assured that any campaign monies they lost in bending to the right would be more than compensated by the corporations. These tactics were not without risk. Over the longer term, the ultimate preference of the business community for the Republicans, combined with the Democrats' absence of a discernible political identity and their refusal to mobilize a base of working-class and poor voters, could leave the DP vulnerable, especially if the Republicans themselves found a better way forward. But as late as 1992 Democratic control of the House appeared unassailable; their majority in that year was just the same as in 1962, if below its peaks of 1964 and the mid-70s.

Of course, the agenda represented by this advantage had shifted far to the right. From 1992, the Clinton Administration attempted to construct a systematic programme for a longer-term Democratic majority under conditions of increasingly untrammelled capitalist preponderance. This involved a commitment to permanent austerity, consecrated in the ostentatious adoption of the balanced budget and pay-go spending rule. At stake was a decisive turn to neoliberal market opening, as

²² Gary Jacobson, 'Congressional campaigns', in Jacobson, *The Politics of Congressional Elections*, 6th edition, New York 2003, p. 65, Figure 4–2.

the centrepiece of a pro-business agenda oriented increasingly towards the financial community, and steadfastly opposed to any concessions on free-trade protection or labour-law reform. The black and working-class base was counted on to support the Democrats, come what may.

1994 and after

The turning-point for the Republicans came in 1994 when, with the first Clinton Presidency floundering, they succeeded in capturing both houses of Congress. In a historic swing the Republicans gained 54 new seats, of which they retained 51 in 1996; 30 of these were from the South, representing a gain of over 50 per cent in the region.²³ In contrast to their Democratic predecessors of 1974 (and successors of 2006), the Republicans arrived with a radical programme for an assault on the New Deal–Great Society settlement. As well as the famous pledges to clean up congressional corruption, Newt Gingrich’s ‘Contract with America’ called for cuts in welfare spending, ‘fiscal responsibility’ and tax limitations, capital gains cuts, repeal of tax hikes on Social Security benefits and increased defence funding, to ‘maintain our credibility around the world’—‘no US troops under UN command’. Crucially, control of Congress opened the floodgates of corporate funding for the Republicans. Hitherto, the Democrats’ lock on Congress had allowed them to compete for business money on a fairly equal footing, as we have seen. But between 1994 and 2006, Republicans moved from virtual parity with the Democrats in corporate funding to overwhelming advantage: from a ratio of 1.14:1 to 1.6:1, or from 14 to 60 per cent.²⁴

Republican control of Congress from 1994 shifted American politics significantly to the right. It enabled the GOP’s militant cadre to push a reactionary domestic agenda and a hyper-imperialist international

²³ Between 1960 and 1996, the number of Republican representatives from the South increased from 10 to 82 seats, or from 6 to 36 per cent of their total House delegation.

²⁴ Sector by sector, the ratio of Republican to Democratic corporate campaign contributions between 1994 and 2006 increased as follows: agribusiness, from 1.5:1 to 2.5:1; construction, from 1.5:1 to 2.5:1; defence, from 0.7:1 to 1.7:1; energy, from 1.3:1 to 3.2:1; health, from 1:1 to 1.8:1; transportation, from 1.3:1 to 2.6:1. The only sector in which the Democrats outdrew the Republicans was telecommunications, although in FIRE the Republican increase was relatively weak, rising only from 0.9:1 to 1.3:1, after peaking at 1.5:1 in 1996. See Center for Responsive Politics, www.opensecrets.org.

perspective in a way hitherto impossible, intensifying the rightward 'triangulation' of Clinton's politics. His administration caved in to the Republicans on 'workfare' in 1996 and on the Taxpayers Relief Act of 1997. Defence spending was increased, and in 1998 Clinton signed on to regime change in Iraq and unleashed Operation Desert Fox.

At the same time, far-reaching changes were taking place in the real economy. There had always been a divergence between the aspirations of American capital, bent on internationalizing through foreign direct investment and overseas lending, and the needs of the industrial working class; as early as the 1950s, Democrats and Republicans alike had refused to protect a US steel industry under competitive assault from the Germans and Japanese. But during the boom era, the combination of American skill and wage levels enabled the US-based producers to defend the home market. Even as late as 1973, the manufacturing labour force was only slightly smaller than it had been in 1948—33.6 per cent compared to 35.7 per cent—as a proportion of the total private-sector labour force, measured in hours.

With the onset of chronic over-capacity in world manufacturing from the later 1960s, made worse by intensifying international competition, the domestic manufacturing labour force came under increasing pressure. Neither Republicans nor Democrats could contemplate with equanimity the collapse of the domestic manufacturing sector, however. During the subsequent two decades they sought to defend it through a combination of import limitation and, for most of the period, a low exchange rate. Between 1985 and 1995—thanks to the pressure exerted by Reagan, Bush and the first Clinton Administration on America's leading trading partners and rivals—a super-low dollar raised US manufacturing competitiveness and export growth rates to levels not seen since the 1950s, offering industrial workers a brief Indian summer in which the loss of manufacturing jobs was stanchied.

But by the mid-90s the postwar economic order had given rise to new opportunities. Advanced technologies were creating international production chains that could select the highest-skilled, lowest-paid workers for each link in the process; China and Eastern Europe were opening up to highly profitable foreign direct investment; financial markets were increasingly deregulated; the US labour movement was a spent force. In these conditions, American multinational corporations and

finance capital were poised for a remarkable acceleration of globalized production and investment. In short order, the Clinton Administration approved the NAFTA, MFA for China and the WTO, while waving through the Telecommunications Act on behalf of its backers in Hollywood, the mass media and high tech.

Most decisive, however, for the shape of the American political economy was Treasury Secretary Robert Rubin's shift to the high dollar in 1995, quickly followed at the Federal Reserve by Greenspan's turn to asset-price Keynesianism to drive the economy. This was supplemented by the repeal of the Glass-Steagall Act, to permit combined operations across investment banking, commercial banking and insurance by financial giants like Citicorp. These measures served to blow up a historic equity-price bubble, quickly followed by an explosion of corporate finance through debt and stock issue. Foreign money poured into US assets. But meanwhile an ascending wave of imports, rendered cheaper by the high dollar and more plentiful by the Asian financial crisis, put intolerable pressure on American manufacturing. Between 1995-2005, beneath the glitzy surface of the 'new economy' and the later distractions of the 'war on terror', the manufacturing labour force was reduced by a fifth, while the financial sector expanded from about 25 per cent to 40 per cent of total corporate profits. American workers were left to sink or swim, with neither party offering a political solution.

September breakthrough

Nevertheless, the shift to the right in the US remained limited in certain fundamental respects—a consequence of the electoral weight of the working class, however passive and disorganized it might be. Even as the corporations laid waste to workers' living standards and job conditions, the overriding concern of every president, from Nixon through Clinton, was to attract the votes of the white working class—especially its better-off, more conservative fraction, the so-called Reagan Democrats. Both parties had always assumed that the precondition for winning this pivotal layer was to retain the core New Deal programmes—Social Security, progressive taxation, and so forth. The Republicans had long aimed to break beyond this consensus. The 1994 capture of Congress had marked an important political advance for them. Ultimately, however, the Republicans had been stymied between 1994 and 2000 in fully realizing either their domestic or their foreign-policy goals. Remarkably,

as of 2000, neither the share of social expenditure in national income nor the effective rate of taxation on the top 5, 10 or 20 per cent of the population had been reduced, compared to 1980.²⁵

As a consequence, these years constituted an era of growing frustration for the Republican right, even in the face of its undeniable political successes. It had not been able to break beyond the neoliberal consensus that had been consolidated under Bush Senior and Clinton. This was all the more galling in view of the deepening problems of profitability for large sections of the capitalist class, outside the financial sector—manifested in the continuation of corporate bankruptcy rates at near postwar highs, the steep decline of the non-financial corporate rate of profit after 1997, and the sharp recession of 2000–01. The underlying political problem was that the electorate remained so evenly divided. The popular vote for the House broke 49 to 49 per cent in 1996, 49 per cent Republican to 48 per cent Democrat in 1998, and 48 to 48 per cent in 2000. That year, Bush Junior was only able to squeeze into office with the help of the Supreme Court—and by concealing his agenda under the banner of ‘compassionate conservatism’. With the defection of Senator Jeffords in 2001, the Republicans lost control of the Senate. In late summer 2001, Bush was looking like a one-term president.

But 9/11 appeared to solve the Republican right’s domestic and foreign-policy problems at one blow. For five years, the ‘war on terror’ rallied Americans behind an aggressive militarist interventionism in the Middle East and distracted them from growing economic instability and inequality at home. In 2002, by focusing their campaign for Congress entirely on ‘terror’, the Republicans increased their plurality of the popular vote for the House to 51 per cent, compared to 46 per cent for the Democrats; it remained at 50 to 47 per cent in 2004. Again, the (white) Southern vote was crucial here.²⁶ With firm control of both the Presidency and both

²⁵ Source: Congressional Budget Office.

²⁶ Of the Republicans’ eleven gains in House seats between 2000 and 2004, ten came from the South. In 1996, when Clinton defeated Dole, the white vote in the South for Dole exceeded that in the North by 7.5 per cent, 14.7 per cent and 17.2 per cent among white voters making less than \$30,000 per year, \$30,000–\$70,000 per year and above \$70,000 per year, respectively. But by 2004, when Bush defeated Kerry, the white vote in the South had gone a decisive distance further in a Republican direction, exceeding that in the North by 13 per cent, 17.5 per cent, and 19.7 per cent, respectively, for the same three income categories. I am indebted to Rachel Cohen for assembling these results from exit poll data and for her help in interpreting them.

Houses of Congress for the first time since the days of Eisenhower, the Republicans could unleash the pro-business agenda discussed above—one which had, only a few years before, seemed a political impossibility. For the time being at least, the Bush Administration had broken beyond the establishment consensus that had made for the de facto retention of the welfare-state core, progressive taxation and business regulation following the collapse of liberalism at the end of the 1970s.

In this sense, today's Republican right has also represented a break beyond postwar Republicanism, up to and including Reagan, in a double sense—its focus on directly attacking the New Deal–Great Society settlement, and its insistence on pushing for stepped-up military aggression, under conditions in which American geopolitical hegemony was already at a historic peak and the payoff for military interventionism on an extended scale appeared marginal. In terms of its programme and its central social base it has brought the agenda of Barry Goldwater, considered extremist in its time, into the US mainstream.

Towards 2008

What are the prospects for this programme in the light of the Democrats' recapture of Congress in 2006, and improved prospects for the Presidency in 2008? As we have seen, the Republicans retain a large, stable—if not quite majoritarian—electoral base; a substantial advantage in corporate funding; and, whatever the tactical differences over immediate moves in Iraq, a relative unity around a clearly defined pro-business agenda. The swing to the Democrats has largely registered a protest vote, and perhaps an abstention by Republican loyalists unable to stomach the sex and sleaze scandals of 2006. In the run-up to 2008 the Republicans, unlike the Democrats, may find it harder to modify their programme in search of votes, especially in view of Bush's intransigence on Iraq; an inflexibility that may leave them particularly vulnerable. Yet the fact remains that in 2006 the Republicans survived what one GOP pollster called 'the worst political environment for Republican candidates since Watergate', and have some reason to hope for a significant rebound.²⁷

Seen against the background of the rise of the Republican right—and in view of the enhanced position of the DLC and Blue Dog caucuses within

²⁷ 'GOP Glum as it Struggles to Hold Congress', *New York Times*, 5 November 2006.

their new congressional majority—it seems likely that the Democrats will only accelerate their electoral strategy of moving right to secure uncommitted votes and further corporate funding, while banking on their black, labour and anti-war base to support them at any cost against the Republicans. This will mean further triangulation in domestic and foreign policy, but in a context significantly redefined to the right since the 1990s.

On Iraq, 29 of the Democrat candidates in the most fiercely contested congressional districts *opposed* setting a date for withdrawing US troops.²⁸ This was, of course, in line with the overall strategy of the Democratic Congressional Campaign Committee, and Rahm Emanuel in particular.²⁹ Their aim is to attempt to capitalize on anti-war sentiment by doing the minimum necessary to differentiate themselves from the Republicans, while still appearing sufficiently hard-line on ‘national security’. In line with this scientific opportunism, Carl Levin, Democrat chair of the Senate Armed Services Committee, put down a motion immediately after the election demanding that Bush *begin* redeploying troops at some unspecified date in the not too distant future, but neglecting to specify when, if ever, withdrawal should be completed. Leaving no doubt about their determination to tergiversate, House Democrats rejected Speaker Nancy Pelosi’s candidate for House majority leader, the pro-withdrawal John Murtha, in favour of the declaredly anti-withdrawal Steny Hoyer.³⁰ The rebuke to Murtha–Pelosi will set the tone for the DP’s approach to Iraq; this was underscored when Sylvestre Reyes, Pelosi’s supposedly anti-war chairman of the House Intelligence Committee, on the morrow of his appointment, allowed that he could see the point in a ‘surge’ in troop levels in Iraq. Moreover, if the Cheney forces, and probably Israel, were to press for an assault on Iran before the end of Bush’s term, the Democrats—not only the ‘anti-war’ Pelosi but proto-candidate Hillary Clinton—could find themselves to the right of the more cautious among Republicans.

²⁸ Jim VandeHei and Zachary Goldfarb, ‘Democrats Split Over Timetable for Troops’, *Washington Post*, 27 August 2006.

²⁹ See John Walsh, ‘Election 2006: How Rahm Emanuel Has Rigged a Pro-War Congress’, *CounterPunch*, 14–15 October 2006.

³⁰ The *Washington Post* describes Hoyer as ‘business-friendly . . . a free-trader and a balanced-budget proponent, with strong ties to lobbyists’. Shailagh Murray, ‘Political Pragmatism Carried Hoyer to the Top’, *Washington Post*, 17 November 2006.

With their substantial House majority, the Democrats possess the potential to bring about a major improvement in domestic policy, simply by not being Republicans; but what is the actual likelihood of this? Many congressional Democrats are already familiar with the rewards that can accrue from corporations if they play along with Bush. Since 2004, Democrat representatives have chalked up 34 votes for the Republicans' Energy Policy Act; 41 for their Estate Tax Relief Act; 50 for their Class Action Fairness Act; and 73 for their Bankruptcy Abuse Prevention and Consumer Protection Act. Even before the 2004 election the Democrats had voted to renew a number of Bush's tax cuts for big business, avowedly in exchange for the extension of 'middle-class' tax cuts.³¹ There is no telling, therefore, what will happen when Bush pushes ahead with his plan to make the tax cuts permanent. While there has been much talk of a new populism in the wake of the Democrats' victory—with reason, since the electorate registered 53 per cent dissatisfaction with the socio-economic status quo—the possibility of any major new programmes on healthcare, education, public infrastructure or the impoverished cities has already been ruled out by the Democrats' commitment to the pay-go rule for government spending.

Meanwhile the Democrats have stepped up efforts to compete with the Republicans on corporate funding. In both 2004 and 2006, corporate money constituted more than half that raised by the DP, far surpassing any other source, and more than five times labour's contribution. Though lagging behind in other sectors, the Democrats do outdraw the Republicans in telecommunications, and far exceed them in the entertainment industry and high tech. Perhaps most impressive, they are competitive with the Republicans in raising money from the FIRE sector, the biggest corporate source of campaign finance, netting only 20–25 per cent less from this source than the Republicans in 2006. New House Majority leader Steny Hoyer has initiated his own K Street Project, his spokesperson declaring: 'We're not ceding ground to Republicans in the business community.' The new Senate Majority leader Harry Reid meets every two weeks with 'Democratic leaning' business lobbyists. The inevitable result is still greater pressure on the party to move towards the corporations and the right.

³¹ Jonathan Weisman, 'Congress Votes to Extend Tax Cuts', *Washington Post*, 24 September 2004.

The new majority in Congress is likely to disown, at least in part, the free-trade agenda. But here the horse has already left the barn, thanks mainly to the efforts of the Clinton Administration, from NAFTA on. In July 2005, Bush succeeded in pushing through the Central America Free Trade Agreement, thanks to an indispensable 15 Democratic defections, which made it possible for the Administration to neutralize 27 Republican no votes and eke out a narrow 217–215 victory in the House. On the other hand, the Doha Round, the major outstanding neoliberal initiative, is already dead in the water. Otherwise, the Democrats can be expected to complain loudly about China's undervalued exchange rate and its soaring trade surplus with the US. But once Congress has had a chance to think about the inevitable consequences of the yuan revaluation that they are calling for—namely, the reduction of Chinese purchases of US Treasury bonds and the entailed increase in US interest rates—they may temper their demands. The Democrats will no doubt evince a bit more sound, if not much fury in the run-up to the next election. But even if they go on to win in 2008, what we are surely in for, in the absence of a major revitalization of mass movements, is Clinton Redux—conceivably under Clinton II. In other words, a continuation of the long-term slide to the right, at perhaps a slightly slower pace than under the Republicans.

A political opening?

The fact that the Democrats have remained contenders essentially by playing the Republicans' game raises the ultimate political conundrum. Between 2001 and 2006, real wages have been flat. Between 2000 and 2004—the last available data—median family income actually fell by between 2 and 3 per cent. Employment growth has been the slowest since World War II. There has been a big drop-off in employers' willingness to continue to pay for health-care insurance or to honour pensions, along with exacerbated inequalities in the distribution of wealth. In other words, the gap between the material aspirations of the population and what the bipartisan merry-go-round is prepared to provide has reached historic proportions for the post-World War II epoch. Why has the widely bruited new populism failed to become more pronounced?

Part of the answer is perhaps to be found in the bizarre operation of the economy that has emerged under Clinton and Bush, and the cushioning effects that this has offered, however temporary. For a long period,

ever-increasing female participation in the labour force countered declining male median real wages. After 1995, rising stock prices enabled corporations both to borrow with unprecedented ease and to issue shares at hugely inflated prices, allowing them to accelerate investment and unemployment. This created a hyper-boom that, however temporary and ill-fated, raised real wages dramatically over the four years between 1997–2001. That expansion proved illusory, issuing in a sharp if brief recession and a severe shortfall of demand. The next round of stimulus, provided by an epoch-making run-up in housing prices, made possible the greatest orgy of household-debt creation in US history, and, on that basis, a remarkable expansion of large-scale spending by wide swathes of the American consumerate.

Will the deflation of the housing bubble now in process finally make for a different outcome? There is not yet much on the horizon indicative of the sort of popular mobilization that is, as always, the precondition for any real progressive shift in US politics. But were the widely expected recession actually to materialize, things might get more interesting. The growing dissatisfaction with the war in Iraq, in combination with seriously worsening living conditions, would make for a combustible mix. Politics conducted without regard for the population would become a lot more difficult to sustain.