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Source: *The Baffler*, No. 38 (MAR-APR 18), pp. 112-120

Stable URL: <https://www.jstor.org/stable/26406450>

Accessed: 19-01-2022 20:55 UTC

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Right Into the Abyss

Confessions of a political apostate

BACK IN THE 1970S, when I first became involved in politics, an important reason why I chose the Republican Party is that it was the nexus of original thinking in American politics. Even Senator Patrick Moynihan—arguably the leading policy intellectual among Democratic lawmakers—thought so. In a July 7, 1980 article in the *New York Times*, he acknowledged, to his own consternation, “the GOP has become a party of ideas.”

He was referring especially to the party’s economic ideas, particularly the idea that tax rate reductions were needed to spur the economy. This was an idea I had been involved in developing as a member of Rep. Jack Kemp’s staff, so I was pleased to see someone of Moynihan’s stature validate my decision and my work.

No one of comparable stature would make Moynihan’s claim today. The GOP is less a political party than a cult—one that, as its founding charisma and spiritual mission have atrophied and ossified into unquestioned dogma, continually redoubles its efforts to enforce orthodoxy among the faithful. The obsession with cutting taxes as the all-purpose cure for every real or imagined domestic problem, regardless of circumstances, is so dogmatic among Republicans today that it is no longer possible to have a rational discussion with them on this topic.

I have paid close attention to the evolution of Republican thinking on taxes over the last forty years and have spent considerable time studying the history before that. I think there was an inflection point in 1990, while I was working at the Treasury Department, when the tax issue ceased to be about economics and instead became a political weapon for the pursuit of personal gain by certain people within the GOP. Their extraordinary success, which surprised even them, is what has kept it going all these years.

Basically, Newt Gingrich used George H.W. Bush's support for a very modest tax increase to destroy him and the moderate wing of the GOP so that Gingrich could take over the party's policymaking; Bush's defeat in 1992 was considered a small price to pay to get Republican control of Congress in 1994 and make Gingrich Speaker of the House. Gingrich and his close ally Grover Norquist made unquestioning support for tax cuts a litmus test for all Republicans, enforced by groups such as Norquist's Americans for Tax Reform and the Koch-bankrolled Club for Growth, which actively worked to defeat any Republican who failed to toe the party line with sufficient enthusiasm.

This is why it is useless to argue economics with a Republican. The party's support for tax cuts is faith-based (and donor-based, which increasingly amounts to the same thing in American politics) and not subject to revision by empirical data any more than the core doctrines of a religion are. Most people can be persuaded by logic and evidence on issues they aren't emotionally attached to. But only the truly committed are willing to die to defend an issue on which there is no evidence at all, just faith—or wishful thinking.

Believe It or Rot

Every religion has one or more doctrines unacceptable to other religions that make it unique. Belief in those doctrines is how members of that religion separate themselves from the rest. Should any members come to lose their faith, they usually leave, although some stay for family, social, business, or other reasons. Should the skeptic voice her doubts publicly, however, she must be ousted, lest her doubts undermine the religion's solidarity and cohesion, threatening the livelihoods of those whose income or position depends on the church.

Everybody hates apostates. This is obviously true for those who remain active members of the church you have left—but it's also painfully clear that if you join another church, you are not necessarily welcome. Some churches are deeply distrustful of those not born into it—or there are cultural aspects of the faith tradition that are almost inseparable from religious doctrine.

If you live in a community where life revolves around the church, being an apostate can be very unpleasant. We've all heard about how the Amish shun those who fall away from the faith, and even family members will never speak to you again. Political apostates suffer the same fate. I discovered this when I broke from the Republican faith.

Two distinct events caused me to lose my faith. The first was when Republicans rammed through the Medicare Part D legislation, which addressed prescription drug coverage, in the dead of night in November 2003. At the time, I was working for a conservative think tank and was quite convinced that entitlement programs like Medicare needed to be cut, not massively increased. Although a reasonable case could certainly be made for including prescription drugs in Medicare, the fact that there was no financing for Part D was appalling to me. This was really the first time I realized that Republicans systematically lie about their feverishly advertised concern for the budget deficit.

The Part D debacle opened my eyes. I soon began to question other aspects of George W. Bush's program, including those I had previously supported, such as his tax cuts. I never really liked them; they weren't based on the same supply-side principles that underlay the 1981 tax cut or the 1986 tax reform. The

Bush tax cuts seemed designed more to buy votes than promote growth, I thought. But, being a loyal Republican, I praised the parts that were defensible and ignored the parts that weren't.

On one level, this isn't out of the norm for partisan politics. Indeed, intellectuals generally deal with aspects of their chosen party or ideological movement that they cannot support in this fashion—they simply ignore the objectionable developments and praise the parts of the party program that are still acceptable. Indeed, they sometimes will cling to one thing to the exclusion of all others in a desperate attempt to remain among the faithful and avoid expulsion. Ironically, this sometimes means that those who are most vocal in defense of their faith are

those with the most doubts. For example, Jesuits are often among the Catholic Church's most doubt-ridden and also its most loyal soldiers.

In response to my own growing doubts, I wrote *Impostor*, a book critical of George W. Bush that I honestly believed would help the

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GOP. I thought his incompetence would inevitably lead to defeat for my party in 2006 and 2008. I thought if my fellow Republicans had an open debate on the subject they could find ways to fix his mistakes, develop a better program, and nominate someone who could win the White House. I was very careful to couch all my criticism of Bush in terms of his violations of Reagan's conservative philosophy. Virtually every person I quoted or cited in the book was a good conservative Republican.

In retrospect, I was extraordinarily naïve. I had not yet come to understand that facts and logic had nothing to do with the policies of the Republican Party. They were designed solely to buy votes, reward the faithful, and maintain power at all cost in order to deliver succor to its contributors.

After I published *Impostor*, I lost my job and most of my friends. But I still considered myself to be a good conservative who was merely misunderstood. I assumed that my sins would be forgiven in time.

Sympathy for the Devil

Perhaps they would have been had a second event not occurred. In 2007, I decided that the term "supply-side economics," which I had helped originate, was an albatross preventing mainstream economists from supporting some worthwhile policies simply because they were labeled as "supply-side." I wrote an article for the *New York Times* saying that everything important about supply-side economics had now been accepted by mainstream economists and the remaining supply-siders should just declare victory and go home.

Later, I decided that this, too, might be a good theme for a book, one that would pick up where my 1981 *Reaganomics* book left off. I thought I had a nice theory about the rise and fall of economic schools and two good examples—Keynesian economics, which had dominated economic thinking from the 1930s to the 1970s, and supply-side economics, which had essentially replaced it.

I thought I knew as much about Keynesian economics as I needed to know. Like all conservative economists, I saw John Maynard Keynes as my enemy and

had studied his work and those of his followers carefully. I saw the stagflation of the 1970s as the logical culmination of Keynesian errors.

But once I got into writing the book, I found my knowledge to be inadequate. I hit on the idea of ignoring what Keynes and like-minded economists had said in books and academic journals and looked only at what they said in more popular forums such as news reports and articles for the general public. With the archives of many old publications now easily searchable over the internet, I was able to do this quite easily. It also helped that I could see what people like Keynes were saying in real time about the economy in practical ways unencumbered by theoretical and technical mumbo-jumbo.

As I carefully read everything Keynes said in the *New York Times*, *Washington Post*, *Wall Street Journal* and other news sources throughout the 1920s and 1930s, where he was quoted extensively and frequently, I came to have new appreciation for Keynes's political and economic analysis. In fact, to my great surprise, I came

to see that everything he said and advocated was exactly correct, and his critics—who had been my heroes since college—were completely wrong.

I was just completing my book as the economic crisis boiled over in late 2008. I immediately recognized that the circumstances were identical to those Keynes confronted in the 1930s and

required the same policies to fix the problem—deficit spending, government jobs, public works, easy money, etc. I wrote an article for the *New York Times* detailing my thinking along these lines. Its arguments still hold up well—but unfortunately, it appeared on Christmas Eve, so few people saw it.

I went on to write many other articles supporting a Keynesian view of the economy. These pieces led me to lose most of my few remaining friends among conservative economists. However, none have ever been willing to engage me substantively. I would have loved to explain to them why I now saw the economy the way I did. But again, I was very naïve in thinking that facts and logic mattered. My friends continued to advocate the same-old, same-old—tax cuts, budget cuts, and tight money. To them, it was always 1980 and inflation, budget deficits, and high tax rates were the central problems. To me, the problem in 2009 was deflation and a lack of aggregate demand. The Republican remedy would have made matters vastly worse.

Supply Slide

The irony is that my analysis was actually rooted in the research of University of Chicago economist Milton Friedman, long the dean of Republican economists. His most important argument was that a collapse of the money supply was at the root of the Great Depression. As Friedman argued, the money supply fell during the 1930s because many banks went out of business, causing their deposits literally to vanish. Remember that most of the money supply consists of bank deposits that exist only as accounting entries, not currency or coin, and there were no protections for depositors such as we have today. If the bank where you kept your money went under, you lost all your money.

“Keynesian” is the worst epithet a conservative economist can hurl at another.

Friedman showed that the money supply shrank by about a third and that this led to deflation—falling prices, the opposite of inflation. Abrupt deflation created havoc with the economy because debts were denominated in nominal dollars, causing their real (price adjusted) burden to rise. Real wages also rose amid the general deflation, leading to greater unemployment. Commodity prices fell, destroying the livelihoods of many farmers. And economic activity throughout the economy contracted.

I had always been led to believe that the Friedman view of the Great Depression was diametrically opposed to the Keynesian view. But as I read more and more of Keynes, I realized that there was no conflict at all. The Friedman view and the Keynesian view were exactly the same in terms of their diagnosis of the economic problem. The proof of this is that the famous economist Irving Fisher, whose monetary views were the precursors to Friedman's, shared Keynes's perspective and supported him publicly in many articles and speeches.

Where Keynes and Friedman parted ways, of course, was on the cure for deflation. Friedman thought that all the Federal Reserve needed to do was increase the money supply. The Fed could do this simply by buying government bonds and creating the money out of thin air. This undoubtedly would have helped, but probably not enough. The reason is that the banking system is the transmission mechanism for money—the way in which it is injected and distributed into the economy and ultimately into the hands of consumers and investors who will buy stuff with it. But the crushing result of the depression was that the banking system was broken; banks were too frightened to lend, and so money was unable to be diffused and the deflation continued, holding down growth.

Interestingly, the economist who probably did more than anyone else to explain the similarity between the Keynesian and the Friedman view was Ben Bernanke, a Princeton economist who had been appointed by George W. Bush to be chairman of the Federal Reserve two years before the economic crisis. Bernanke understood perfectly the importance of not allowing the money supply to fall and he pumped trillions of dollars into the banking system to keep it afloat.

In all the years since, conservative economists have been unanimous in their view that the Fed's policy of increasing the money supply was a dreadful error that would quickly lead to hyperinflation. The near complete absence of inflation year after year has had absolutely no effect on their thinking. They still believe that a giant inflationary binge is coming and they continually exhort the Fed to tighten monetary policy as soon as possible.

The irony here is that Friedman's theory is perfectly compatible with the Great Recession. The difference is only that it wasn't the money supply that contracted but something called velocity, which is the speed at which money turns over in the economy. Velocity is commonly defined as the gross domestic product divided by the money supply. Historically, this ratio has been about 1.8. That is, if you multiply the money supply by 1.8 you will get a number very close to nominal GDP. If the ratio rises, as it did in the 1990s, when it rose to about 2.2, it means that people are spending money faster and the gain in velocity has exactly the same effect as an increase in the money supply. Since the year 2000, however, velocity has been declining to a current level of 1.4. Thus velocity has fallen by about a third, which has exactly the same economic effect as a shrinkage of the money supply by a third—precisely what caused the Great Depression in Friedman's analysis.

Policy as Reflexology

Unfortunately, there is no easy way of getting money moving again when we are in such a situation, which economists call a “liquidity trap.” Tax cuts don’t work, because the people who would spend more don’t pay any income taxes to begin with and corporations are already sitting on trillions of dollars of uninvested cash.

Keynes concluded that the only thing that will get money moving again, raise velocity, and restore growth is direct government spending on goods and services such as public works. Military spending would also work, although less well—which is why Ronald Reagan’s defense buildup was a key reason for the upturn in growth in the 1980s.

Once I began endorsing a Keynesian cure for the recession, I was definitely persona non grata on the right. “Keynesian” is the worst epithet a conservative economist can hurl at another. What I was never able to make any of my erstwhile colleagues understand is that economic circumstances change and policies must change with them. In the 1970s we needed tax cuts and supply-side policies. Today those policies would be counterproductive—as I expect we will see from the retrograde Trump tax cuts. (Indeed, in the first wave of responses to the passage of the Trump tax law, corporate beneficiaries are using their gains not to reinvest in plants or workers but to pad already lavish investor returns—a pattern likely to exacerbate both the present liquidity trap and broader conditions of income and wealth inequality.)

In lieu of the undeviating conservative mandate to cut taxes, we need policies to stimulate aggregate demand today. Later, we may need other policies; only detailed analysis of economic conditions can determine what those may be. But contemporary Republicans are nothing if not consistent—they always support exactly the same policies, regardless of circumstances.

Curiously enough, my commitment to an economic policy that adjusts for historical change meant not only that I was well to the left of the reigning GOP consensus, but also a left-leaning critic of the reigning policy assumptions of the Obama White House. Having come of age on the supply-side right, I was now that oddest of Washington policy intellectuals—a man without a party.

Although I was generally supportive of Obama’s policies, I thought he was far too conservative, especially regarding the 2009 stimulus plan. I thought Obamacare was poorly designed and incompetently implemented, although still better than doing nothing, the preferred Republican approach to health policy. I was dismayed that Obama continued George W. Bush’s war policies unchanged and appalled that during the long negotiations of 2011 Obama was willing to go even further than the GOP in slashing spending.

For these reasons, I decided not to vote for Obama in 2012. If Mitt Romney had shown the slightest bit of independence from the Republican Party’s conservative wing, I might have given him a chance. But even after winning the nomination, he still ran as if he needed the votes of the GOP’s farthest right element to win, even though it was obvious that no member of it would have voted for Obama in a million years. I made a strategic decision not to vote at all.

In 2014, I became seriously ill and gave up my regular columns in the *New York Times*, the *Fiscal Times*, and *Tax Notes* magazine. Late in the year, however, Dan McCarthy of the *American Conservative* asked me to write a piece about Obama’s conservatism. I had always liked the *American Conservative* for its

eclectic approach to the conservative tradition in this country and agreed to write the article. Titled “Obama Is a Republican,” it garnered an enormous amount of attention, mostly negative. To most conservatives, it seems, Obama is the most left-wing president in history and the proof of that is self-evident.

This was the final straw for my few remaining conservative friends. One I considered as close as a brother sent me an email afterwards saying he wanted nothing further to do with me. We have not spoken since.

Defenders of the Faith

I now see that over the last fifteen years, I experienced personally all of the trends that now personify today’s Republican Party and conservative movement. They have become the opposite of what they were when I joined them in the 1970s. I want nothing further to do with either, which made it very easy to deal with being shunned. Being a misanthrope has its advantages.

Trump’s utter stupidity and mind-numbing ignorance are simply the culmination of the know-nothingism that has been growing on the right and in the GOP since at least 1994. For that reason, I had hoped that Trump would lance the boil and force what is left of sane, intelligent conservatism to rise up and overthrow the barbarians. I even voted for Trump in my state’s primary for that reason and explained my rationale in articles for *Politico* and CNBC. But I was devastated when he won, although I now think his victory may be the only thing that will finally purge the insanity and stupidity that now permeates the American right.

Space prohibits a fuller explanation of how conservatism reached the nadir of its history. Unfortunately, I fear that Democrats lack the toughness and sense of purpose needed to defeat the Republicans as thoroughly as needed to force a complete cleansing of the nuttiness epitomized by Trump. That is a key reason why, despite my hatred of the GOP, I cannot join the Democrats; they are simply too feckless. Indeed, one could argue that the Democrats’ weakness is what gave us Trumpism—it is hard to imagine a worse political candidate or political campaign than Hillary Clinton’s in 2016. Yet I see no evidence that Democrats are

really interested in a muscular liberal like Bobby Kennedy, or that one is out there if they were.

Let me say a word about Bernie Sanders in this context. I know him slightly and like him. My only real objection to him as a presidential candidate is that I didn’t think he could win. He was too old, too cranky, and too disorganized to mount a successful presidential run. I thought

Hillary Clinton had a better chance of winning. I even wrote an article for the *Washington Post* a couple of weeks before the election in 2016 explaining all the reasons why Clinton would be a good president. In retrospect, I misjudged just how unlikeable she was to many voters and how politically incompetent she was. But I still don’t think Sanders would have won, and I think it’s important to remember that Clinton won the popular vote by exactly the margin predicted by major polls.

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I disagree with Sanders on the need to move the Democratic Party to the left, which many party activists are advocating today. While I think the nation and the Democratic Party would benefit from a stronger populist surge to the left, I think the Democrats are mostly well-positioned in terms of policy.

What they lack is leadership, toughness, a better sense of purpose and the sorts of organizations that support the right—political action committees, think tanks, media operations of various kinds, and long-term financial support. Democrats have millions of dollars to pump into special elections but seem to have no money for institutions that will develop new policies, build support for them, and help market them. I had hoped that Sanders might try to create a group that would help fill this gap, but whatever he is doing has had no impact that I can see.

The Organizing Gap

This leaves me a man without a party, a movement, or a leader. The only thing that gives me some faint cause for optimism is the trickle of former Republicans who have become intense critics within the party. These include Jennifer Rubin of the *Washington Post*, whose work has become must-reading in the Trump era; former GOP political consultants Rick Wilson and Steve Schmidt; as well as a few old-time conservatives such as Bill Kristol, George Will, Max Boot, and David Frum.

Honestly, I thought George W. Bush's incompetence was as bad as it could get. When I parted company with conservative orthodoxy back then, I really believed I was only the first one out the door. I anticipated a robust Republican reform effort would emerge soon after my *Impostor* book. Yet all these years later I am still waiting for it. The nascent "Never Trump" movement floundered as

soon as he won the GOP nomination, and collapsed in the wake of the general election. *National Review* magazine, which published a whole issue attacking Trump in early 2016, quickly switched gears and adopted a moderately pro-Trump philosophy to appease its readers. The *American*

Conservative adopted a more aggressive pro-Trump editorial policy, and I stopped reading it. There is, as far as I can see, no organization or outlet on the right that embodies even a skeptical approach to Trump, let alone one that opposes him in principle.

The intellectual bankruptcy of the right in the Trump era is in striking ways reminiscent of the intellectual bankruptcy of much of the left when confronted by the horrors of Soviet Communism in the 1930s and 1940s. Yet communist defectors, such as Whittaker Chambers, helped rejuvenate the right in the 1950s, teaching it organizational tactics that led to its ultimate success. But today's left shows no interest in conservative apostates such as me, even though many conservative strategies are easily replicable.

It took forty years for the right to get where it is today. I fear it will take the left just as long to undo all the harm that is being done once a serious effort begins. Since the revival of the left shows no sign of taking root in earnest I expect I won't be around to see its culmination. ❌

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