With only six weeks left before the election, Walter Mondale's campaign is reeling. A hostile press portrays him as indecisive, boring and hopelessly tied to corrupt "special interests." His running mate, in the words of a Republican wag, is being "devoured by accountants and bishops." And while his advisers thrash about, trying one campaign tactic after another, Mondale keeps sinking in the polls. As they look to November, something close to despair grips Democratic Party regulars.

Given Reagan's incumbency, Mondale's road to the White House never figured to be smooth. Still, a year or so ago, Democratic prospects were by no means as bleak as they are now. Reagan seemed vulnerable on a host of issues: fairness, war and peace, the environment, civil rights, Lebanon and Central America among them. There was also excited talk of huge voter registration drives, organized by the Democrats, which promised to recruit millions of anti-Reagan voters to the party. There were, in short, reasons to hope that the Democrats could go on the offensive in 1984, broaden their base and out-democratize Ronald Reagan.

Now that it is clear—barring a miracle reminiscent less of Truman than of Lazarus—that those hopes are to be brutally dashed, it is time to ask how the present catastrophe occurred. Why is Mondale mounting such a feeble and dispirited campaign? Why, after some hopeful signs at the San Francisco convention, did the Democrats de-emphasize the issues of jobs, inequality and nuclear war, and choose the suicidal strategy of campaigning on a lowered deficit, increased taxes and still higher military spending? And why, once it became obvious the strategy was not working, did Walter Mondale continue to pursue it?

To many journalists and pollsters, the answers to those questions are obvious. Mondale is doing so poorly, they say, because Reagan is doing so well, and Reagan does well because he is the Great Communicator, an electoral Music Man, who instinctively inspires trust and defuses hostility in the masses. Other analysts go further. Reagan, they suggest, has a remarkable talent for unlocking the repressed psyche of the American working class. Because workers identify deeply with religion, militarism and Olympic gymnasts, they identify as well with the President's appeal to these fundamental expressions of national character. No matter how often he hurts them or treats them like children, workers cannot break with Ronald Reagan because that would require their breaking with themselves.

The Reagan camp has done everything to encourage such roseate views. In the last few months the President has appeared at more religious shrines than the Virgin Mary and has provided breakfast for more Olympic champions than Wheaties. He has wrapped his campaign in the flag and scored it with country music. And as he closes in on Generalissimo Francisco Franco's world record for the greatest number of indirect endorsements by Catholic bishops, Reagan is clearly making headway among those Americans who believe we must suffer in this world if we are to party in the next.

But most workers do not believe such things, and even if they did, no Republican siren of the working class would need to be evoked to explain a sweeping Reagan victory in November. Let us suppose that voter turnout rises slightly from its dismal 1980 level: say, to 55 percent of the eligible electorate from 52.7 percent. Assume, too, that Reagan beats Mondale by a landslide: say, by taking 58 percent of the two-party vote. Given the infamous class skew of American electoral participation—the fact that the 45 percent of the eligible electorate not participating is sure to be predominantly poor and working class—such a victory...
would prove little about Reagan's appeal to less affluent voters. Within the increasingly hourglass shape of American income distribution (more unequal now than at any time since World War II), Reagan could achieve it with close to three-quarters of his support coming from rich and upper-middle-class voters. Their reasons for voting for his re-election are obvious. Whether or not they approve of Reagan's stand on abortion and the Equal Rights Amendment, millions of affluent men and women have profited enormously from his first Administration and wish to profit from a second.

But there is more to the story. Most—though, as will be noted below, by no means all—of the American business community is also massing behind Reagan. Grateful for his gigantic cuts in taxes and social spending, huge increases in military outlays, sustained attacks on labor and gutting of environmental law, business is filling G.O.P. coffers at a record pace. Money talks, and while it is considered rude to suggest that American political culture is for sale, simultaneous prime-time half-hour advertisements on the three major networks, such as the ones the Republicans have run, strain the limits of politesse.

While the G.O.P. gushes television spots, the press is working overtime for the President. Only Balzac could do justice to its efforts this year. Except for a few grimmaces at his blowing-up-the-Russians joke and a flurry of editorials on his proposed merging of church and state, the press has been very kind to Ronald Reagan. While it labels Mondale the candidate of special interests and baits Ferraro about her family finances, it remains austerely silent on the G.O.P.'s Crocean war chest and declines comment on the phalanx of business figures marching behind the President. In editorial columns, James Reston and others chide Mondale for his (rare) invocations of class differences between the parties. In its news "analysis," The New York Times quotes at length from American Enterprise Institute representatives on the dangers attending any Democratic move to the left.

Meanwhile, the Reagan campaign takes full advantage of the powers of incumbency. Hurting in the Farm Belt, the President announces vast grain sales to the Soviet Union. Vulnerable on the unemployment issue, he engineers a political business cycle so great that by itself it practically guarantees his re-election. The press that detailed Jimmy Carter's pork-barrel campaign in 1980 passes over these political maneuvers.

But if no occult force or new psychoanalytic principle is needed to explain Reagan's electoral strength, one still needs to account for Mondale's lemminglike campaign. A complete explanation would require a medium-size book. One would have to examine what various business leaders, economists and the mass media have and have not been saying about the deficit and its relation to interest and exchange rates, taxes and government spending. One would also have to analyze how disputes in the business community over trade, military spending, monetary policy and relations with Europe and Latin America have alternately attracted or repelled different blocs of business to or from the Democrats since Reagan took office.

Nevertheless, the biggest pieces of the puzzle are in place, and they can be offered for inspection.

By Election Day 1980, Ronald Reagan had almost wall-to-wall backing from the American business community. But some longtime Democratic Party stalwarts withheld support. Their ranks included many former Democratic Administration figures with strong ties to multinational business, real estate magnates for whom the phrase "public-private partnership" has a unique meaning, investment bankers concerned that too large a military buildup would mean higher deficits (and thus, perhaps, inflation) and a few other specially situated business figures.

After the election, these dissenters began searching for an alternative to Reaganism. They subsidized new Democratic think tanks, such as the Center for National Policy; activist associations, such as Democrats for the 80's; and more informal policy discussion groups. Helped along with their funds, older Democratically oriented think tanks, such as the Brookings Institution, reorganized and took on new staff (often moving rightward in the process). Led in public by new Democratic National Committee chair Charles Manatt, a California banker and attorney, Democratic business elites also opened discussions with the leaders of organized labor. Coming at a time when much of big business was abandoning its longstanding policy of co-opting labor in favor of a policy of outright attack, their initiative presented union officials with a rare chance to conduct business the old-fashioned way, and the A.F.L.-C.I.O. leadership jumped at the opportunity.

The ensuing discussions brought few surprises. Virtually all the Democratic business leaders favored further increases in the military budget, though at a lower rate than Reagan was proposing, and free trade. While most leaders of organized labor were enthusiastic about increasing military spending, the trade question was divisive. Under attack by Reagan and deluged by a tidal wave of imports, the labor chiefs—along with a few businessmen, such as Chrysler's Lee Iacocca, clearly attracted to the idea of government bailouts—wanted the government to play a more active role in shoring up basic industry through protectionist measures and targeted investment. Deep into the Reagan recession, a fairly obvious compromise emerged. The business Democrats accepted a plan calling for a small fund for industry assistance and a weak coordinating board for investment. In the fine print, where all hoped it would stay, they also accepted protection for a few industries with large unions. Labor leaders, in turn, tiptoed away from their earlier practice of staging noisy Solidarity Day demonstrations attacking big business and demanding full employment.

Almost everyone expected either Mondale or Edward Kennedy to carry the banner for this modest industrial policy in the 1984 campaign. But by the time Kennedy withdrew and Mondale stepped forward, worsening trade problems, the turnaround in the domestic economy and the Reagan Administration's spectacular success in debilitating labor had wrecked the basis of the accord.

With the economy recovering, many businesses lost interest in industrial policy altogether. Coincidentally, soaring U.S. interest rates had raised the dollar's value abroad and
The budget deficit, expected to mount dramatically over the next several years, also spread general alarm. Although some powerful businesses—notably, weapons producers, for whom the deficit appears as an entry in the sales column, and labor-intensive manufacturers, who hope to drive down wages by completely removing the social safety net—stood to gain by postponing action on the deficit until after the 1984 election, not everyone could afford to wait. Particular concern emanated from investment banking and insurance companies, whose prosperity depends on investor confidence in long-term bonds. Permanently growing deficits erode such confidence, because investors fear that the government will accede to pressures to pay off the debt, with inflationary consequences, by merely printing money.

Not surprisingly, leading investment bankers were soon overrepresented among the ranks of major contributors to Democratic organizations. Federal Election Commission records show that groups like Democrats for the 80’s received substantial funds from partners and other executives at such houses as Lehman Brothers Kuhn Loeb; Goldman, Sachs; Brown Brothers Harriman; Lazard Frères and Prudential-Bache. (Indeed, executives from Prudential have put so much money into Democratic organizations in the past couple years that the Democrats might consider changing their symbol from the donkey to the Rock of Gibraltar.)

At the same time, the position of organized labor and the poor was becoming increasingly desperate. In America’s highly decentralized business community, this naturally led many Democratic business elites to conclude that industrial policy concessions to labor were unnecessary and ought to be bypassed. In the primaries, accordingly, John Glenn and Hart launched campaigns to do just that, and Americans were treated to the sight of Democrats running openly against labor and, a bit more equivocally, against the poor. As the campaign wore on, Mondale himself turned more conservative on labor and social issues. But with Glenn, Hart and Mondale all advocating increases in the military budget and cuts in domestic spending, an opportunity opened on the left for a candidacy that offered fewer guns and more butter. Assisted by contributions from people—such as former U.S. Ambassador to Saudi Arabia James Akins—who have, perhaps, not always championed the cause of the domestic poor and oppressed, this was one of the several spaces Jesse Jackson’s campaign sometimes sought to fill.

In the end, of course, the new Democratic Party rules designed to advantage early front-runners worked as they were supposed to. Walter Mondale, the candidate originally favored by the A.F.L.-C.I.O. and most Democratic business elites, squeaked through to gain the nomination. But the price was high. Almost every group in the party came to recognize how violently its interests clashed with those of the others. More immediately, a virtual first mortgage on the Mondale candidacy was taken out by investment bankers, insurance company executives and other business elites for whom a cut in the deficit and further increases in military spending constitute the preferred political program.

These essentially conservative groups now make up the elite core of the Mondale campaign. Their interests explain Mondale’s rightward drift on social policy and his obsessive concern with cutting the deficit. They, along with their allies among Democratic multinationalists, the cold warriors of the Coalition for a Democratic Majority and the A.F.L.-C.I.O. leadership, are responsible for his “centrist” views on military spending. Joined daily by recruits from the right, such as James Schlesinger—yet another consultant to an investment house (Shearson Lehman/American Express), a man whose views on military power differ only slightly from those of Ronald Reagan, whom he aided in 1976 against Gerald Ford—they are the reason why voters are increasingly faced not with a choice but only with another echo in the 1984 election.

LESSONS OF THE MEXICAN BAILOUT

Rescue Missions Impossible

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Ever since a rescue effort led by the International Monetary Fund and the Federal Reserve System saved Mexico, and the West’s banking system, from financial collapse in 1982, U.S. bankers have insisted that “crisis management” can cope with the Third World’s $768 billion foreign debt. The Mexican bailout is frequently cited by bankers as an example of how quick fixes can help a developing country recover its economic equilibrium.

Actually, Mexico remains in serious straits, with an ongoing recession, unprecedented unemployment and an income distribution that the World Bank claims is worse than El Salvador’s. Nor is there any guarantee that Mexico will pay back the loans from U.S. banks. As for the Mexican rescue operation itself, it underscores the need to find long-term solutions to the debt problems that cripple so many Third World nations.

Contrary to the bankers’ self-congratulatory claims, the bailout was plagued by misunderstandings, personality conflicts and stupidity in Washington, which nearly ruined the game. The heretofore undisclosed background to the Mexican bailout has been laid out in revealing detail by columnist Joseph Kraft in The Mexican Rescue, a pamphlet published by the New York City-based Group of Thirty, which is concerned with international economic and monetary affairs.

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